

△ DEFENDANT △	United States District Court Northern District of California
	Case No. <u>4:20-cv-05640-YGR</u>
	Case Title <u>Epic Games, Inc. v. Apple, Inc.</u>
	Exhibit No. <u>DX-4094</u>
	Date Entered _____
	Susan Y. Soong, Clerk
	By: _____, Deputy Clerk



MATT: Good morning. The team and I are excited to give you an update on how the next year is shaping up for the App Store.

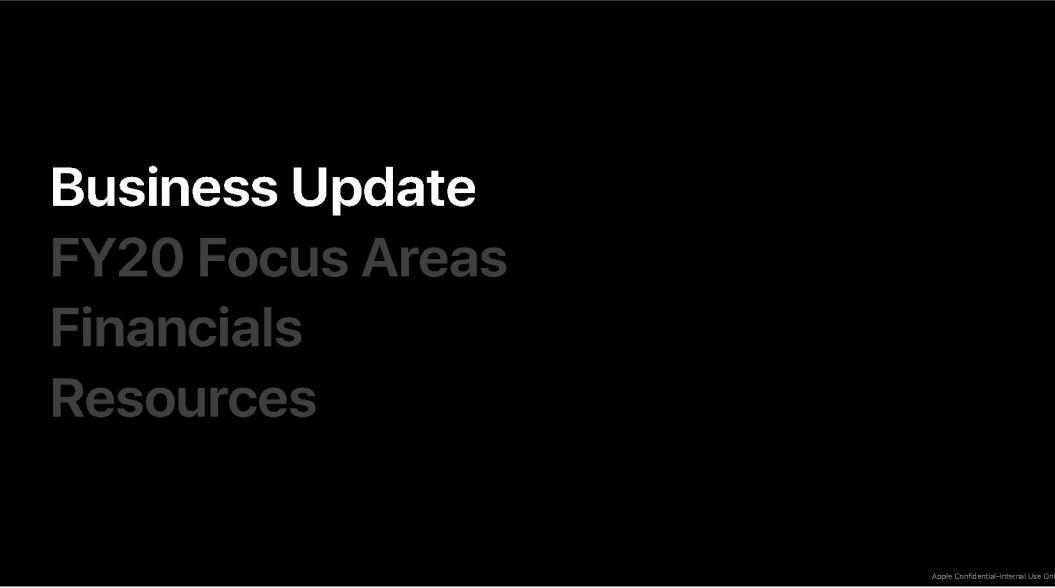


**Business Update  
FY20 Focus Areas  
Financials  
Resources**

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Like we've done in past years, we'll give you...

- an update on the business
- share our focus areas for the coming year
- and walk you through our financials and resources...



**Business Update**  
**FY20 Focus Areas**  
**Financials**  
**Resources**

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Let's get started with a business update. When we started FY19, a major milestone was within our sights...

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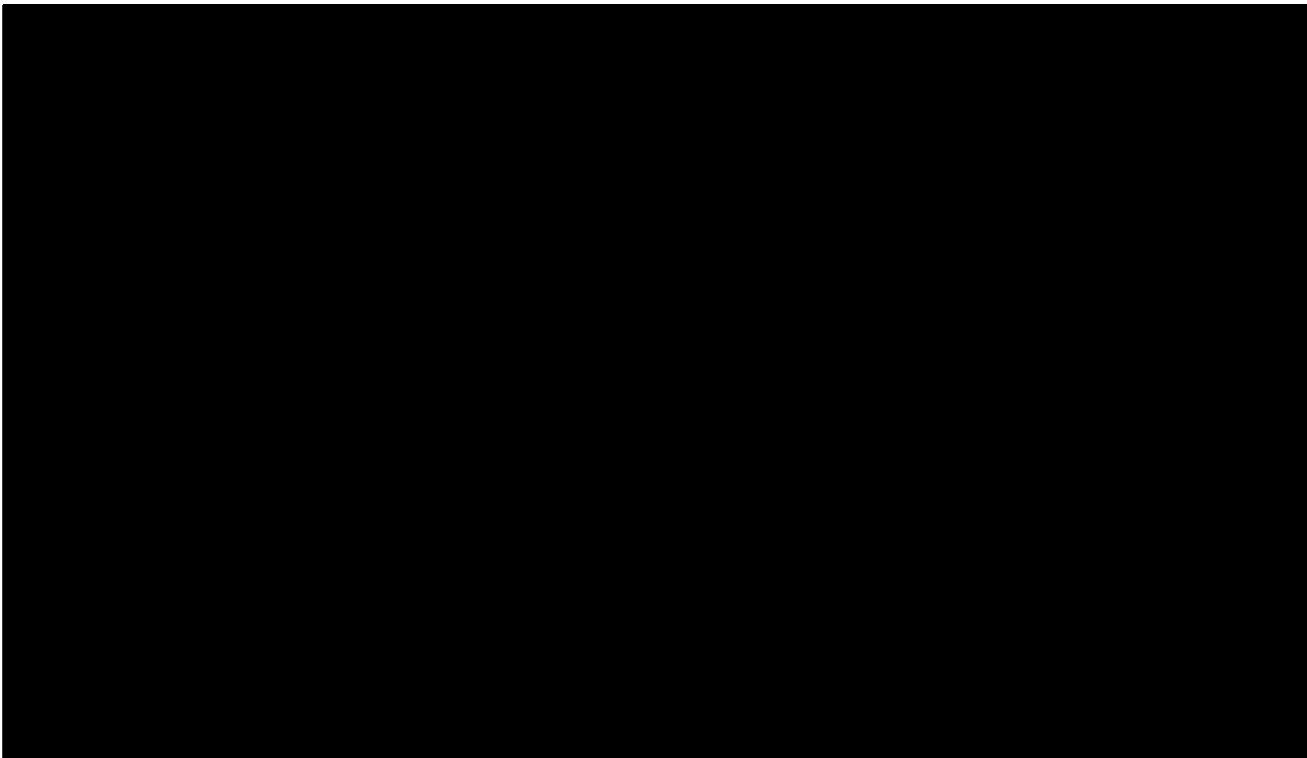
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Looking at the overall business, the App Store has two primary growth drivers - GAMES and SUBSCRIPTIONS. Together, they make up 90% of the global business.

[REDACTED]

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[REDACTED]

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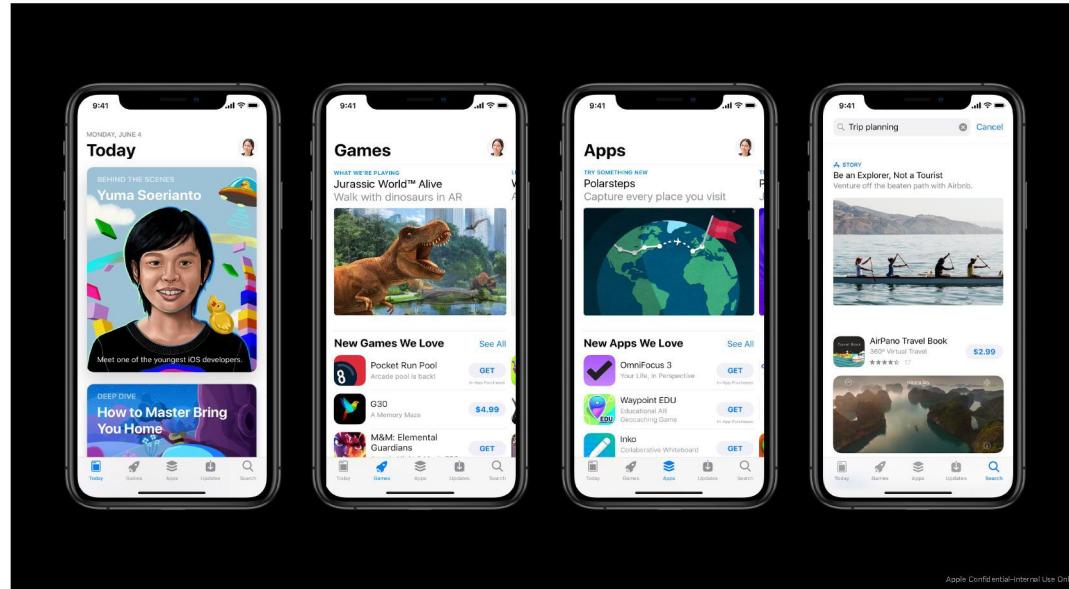
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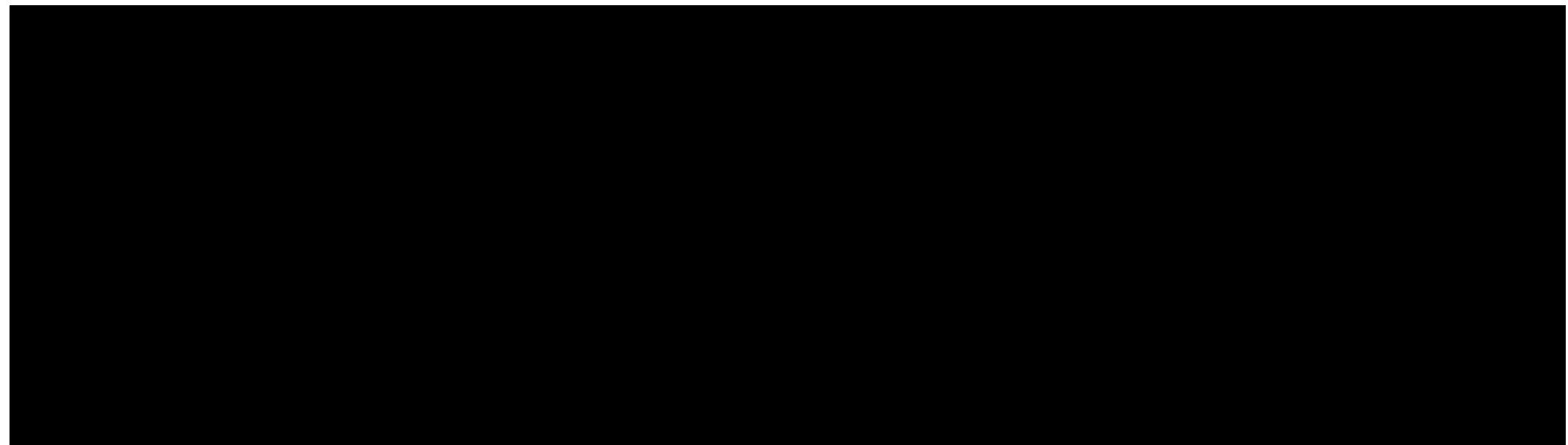
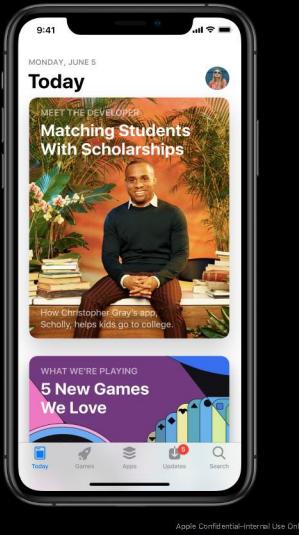


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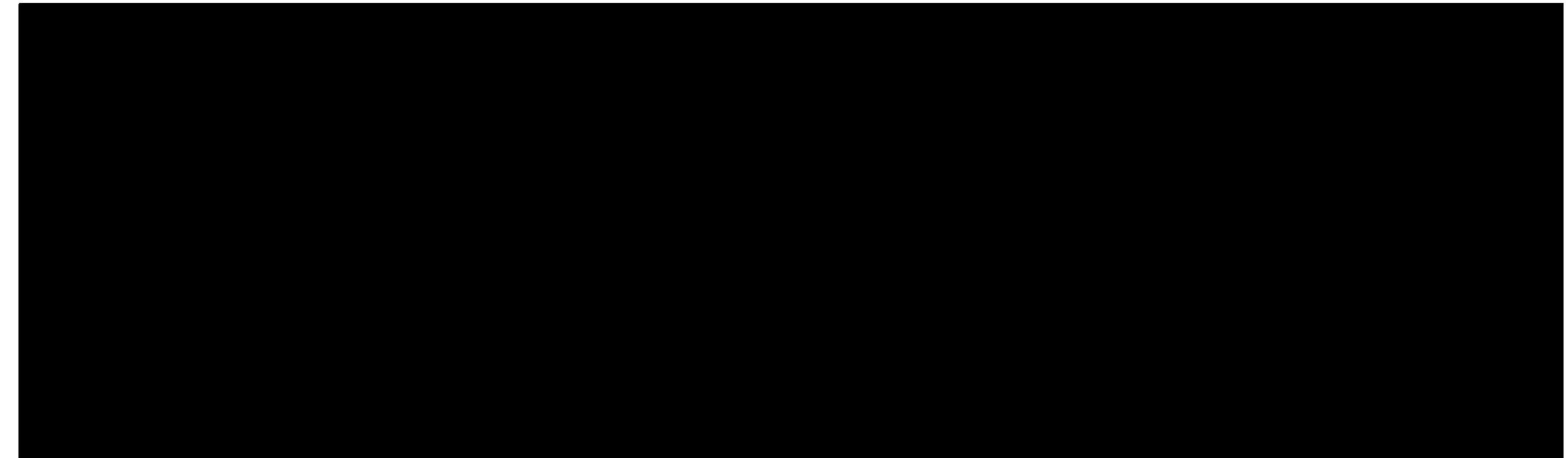
Two years ago, we decided to invest in our original editorial content efforts to support the redesigned iOS App Store. This has given us the opportunity to share Apple's perspective on the world of apps, games and developers, and we're incredibly proud of the quality of content that Smokey and his global Editorial team have created in partnership with Robert's design team. We've learned a lot in these two years, so let's see how this effort has performed...

[CLICK]

## Today Tab



## Today Tab





Personalization has helped us take our great editorial content, and put it in front of the right customer, at the right time.

We've had persistent growth in non-charts transactions in the Apps and Games tabs on a monthly basis since iOS 12 launch

The average monthly incremental is covered by transactions coming from personalized content in the page during each month we have data for.

This covered by billings coming from personalized content in the page

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**Business Update**  
**FY20 Focus Areas**  
**Financials**  
**Resources**

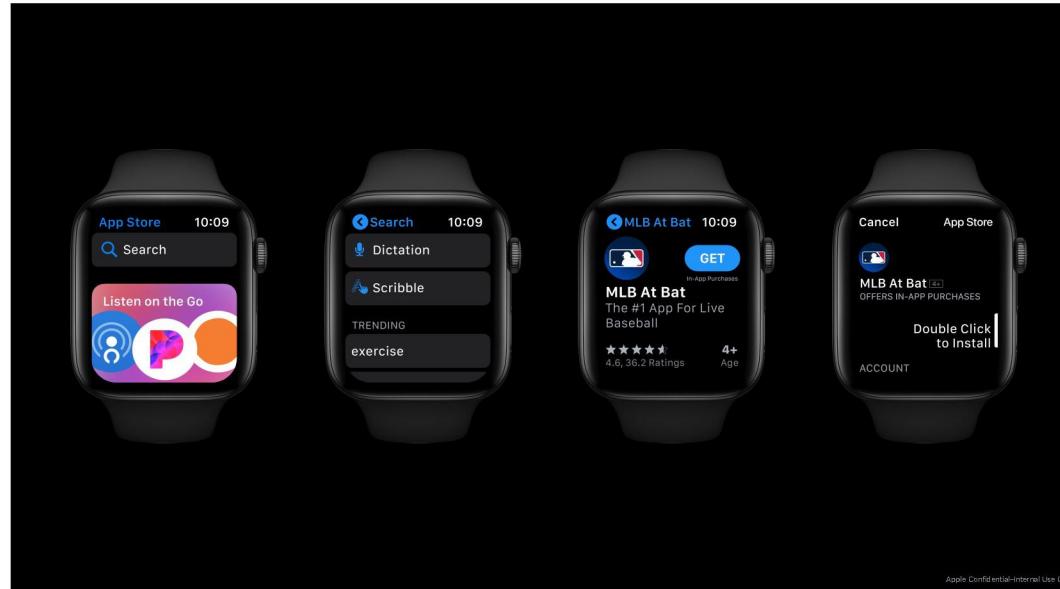
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So that's our update on the business. Now, let's turn to our FY20 Focus Areas.



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Looking ahead, our biggest priority for the App Store is successfully launching and supporting Apple Arcade, which we reviewed earlier this morning.



This fall, we're also shipping the App Store on Apple Watch.

We're excited for our customers to experience the App Store right on their wrist, and for developers to create independent Watch apps for the first time.

We're seeing some great examples of this in our labs this summer, with developers like Calm, Carrot Weather, and MLB At Bat creating innovative, independent watch apps.

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- Grace 4 watchOS has 75K installs.
- LTD Watch App Store visitors is 40K (1.3K daily visitors on the Watch App Store)
- Out of the total 18K watch compatible apps on the store, 1.7K apps have been downloaded for the first time on the new watch store. Total of 13K downloads LTD.
- The most downloaded watch apps (Mediation, Calm, Nike Run Club, pong, Nigh Sky, Chatify for WhatsApp, Lens for Instagram, Hello Weather, Zen: Mediation & Sleep).

## FY20 Focus Areas

### Core Business

In-App Events

Subscriptions

Personalization

Product Pages

App Analytics

International

Marketing

### Ecosystem

App Clips

Anti-Fraud

OFAC Compliance

Privacy

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In addition, we're also focusing on several other exciting initiatives, including...

- In-App Events
- Enhancements to Subscriptions, Personalization, Product Pages, and App Analytics
- Investments in International and Marketing
- And lastly, supporting the Apple Ecosystem with Anti-Fraud and OFAC efforts and [REDACTED]
- Now, I'll pass it over to Ann to start with an update on In-App Events...

## FY20 Focus Areas

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ANN: Matt talked about the two biggest drivers of our business, games and subscriptions. What's driving our games business is in-app events.

Tim, you challenged us a couple years ago to make the App Store a place customers would want to visit every day.

With in-app events, we can do just that.

This will be a multi-year effort, and this year we want to start building infrastructure that will enable us to surface personalized, relevant information about what's going on in the apps our customers care about most.

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"Our dream is to create games that people play for years and years, if not decades."

Ilkka Paananen, CEO of Supercell

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The CEO of Supercell, one of our biggest developers, captured this when he said: "Our dream is to create games that people play for years and years, if not decades."

Developers are doing this with in-app events.

## In-App Events

- Time-limited events within apps
- Drive engagement, retention, and monetization
- Messaged in app, with push notifications, and with off-store channels



- In-App Events, are time-limited events that encourage users to come back to an app/game, to drive engagement and retention and increase monetization.
- They include limited-time competitions, quests, or discounted offers.
- Here's an example of a Hog race in Clash Royale to celebrate Chinese New Year.
- Today, staying connected to these events is a fragmented experience between developer communications, social media, and user forums

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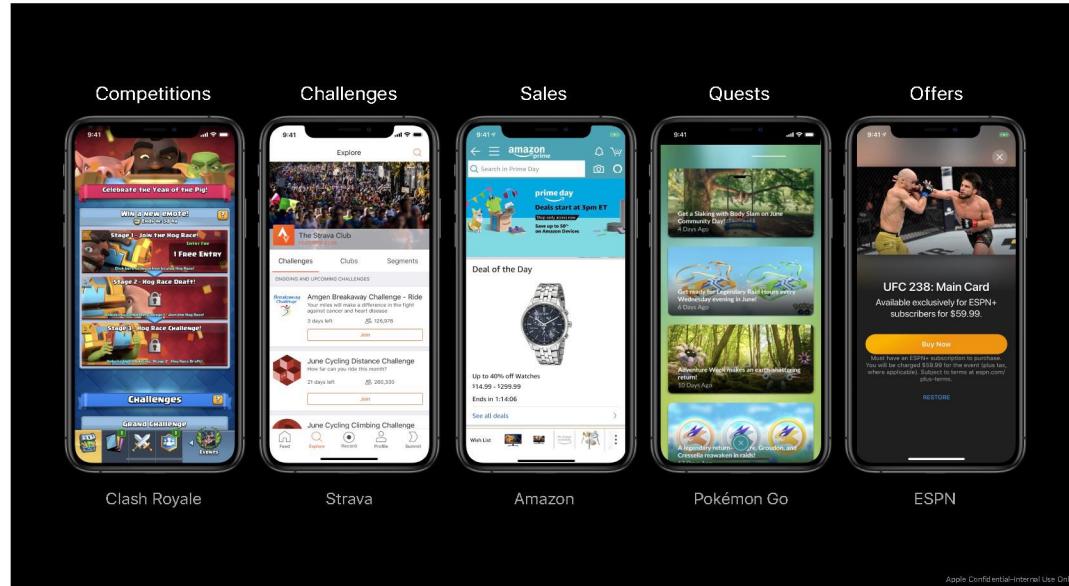
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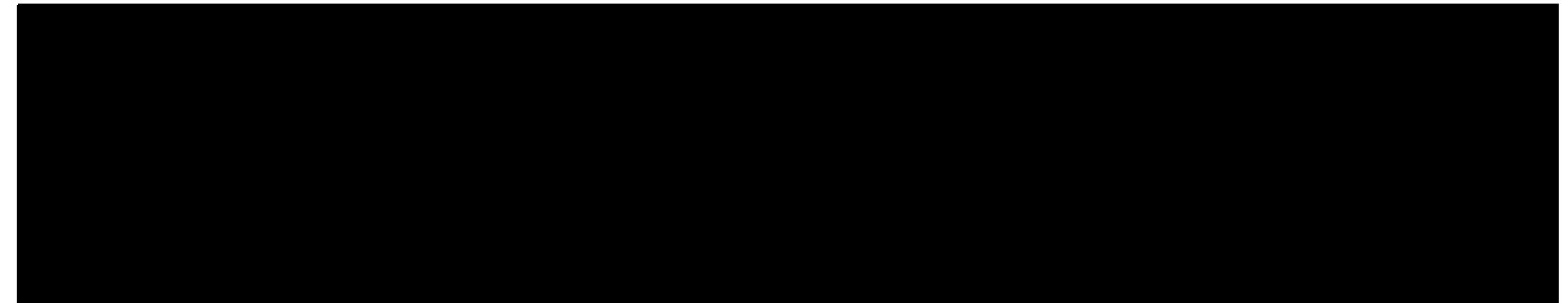
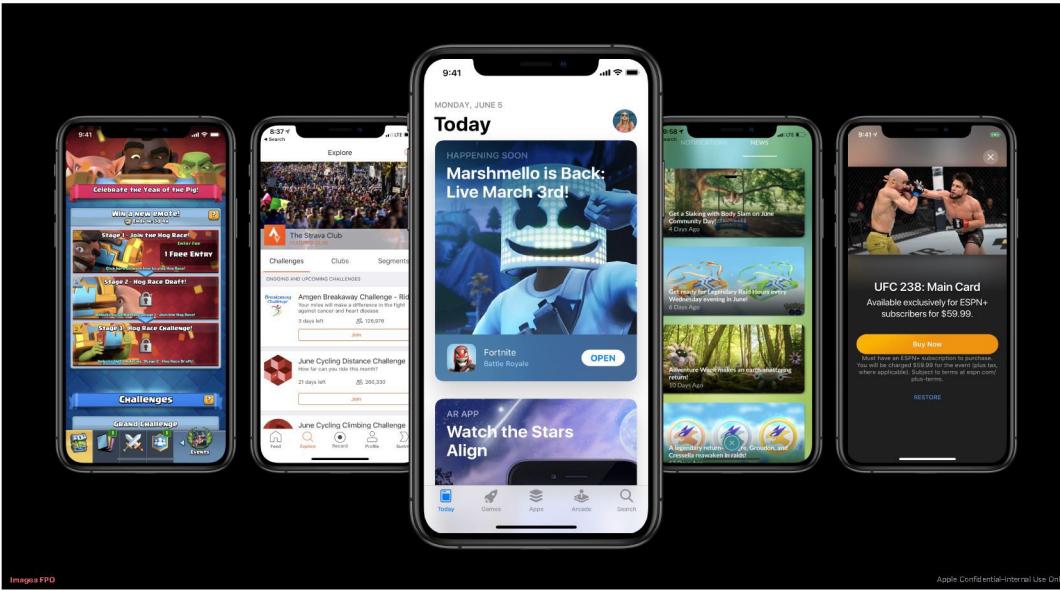
- Take the first and only concert ever in Fortnite featuring EDM artist Marshmello the day before the Super Bowl this year.
- 10M people watched the Marshmello concert live in-game, and that doesn't even include viewers on Twitch, YouTube and other platforms

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Super Bowl: 2.6M streamed SB digitally, 98M watched SB overall



- We've been talking about IAE in the context of games, but they are also an important way for apps to drive demand too.
- For example, in addition to Clash Royale...
  - Strava hosts challenges to keep its community motivated, e.g. riding as many miles as you can in June.
  - Amazon has its version of Black Friday, Prime Day, to offer limited-time deals
  - Pokémon GO has quests to earn exclusive characters and rewards.
  - and recently ESPN gave a special offer to its subscribers for a major UFC fight.
- We have the opportunity to take the best of these in-app events, and make the App Store a window into the apps and games our customers care about



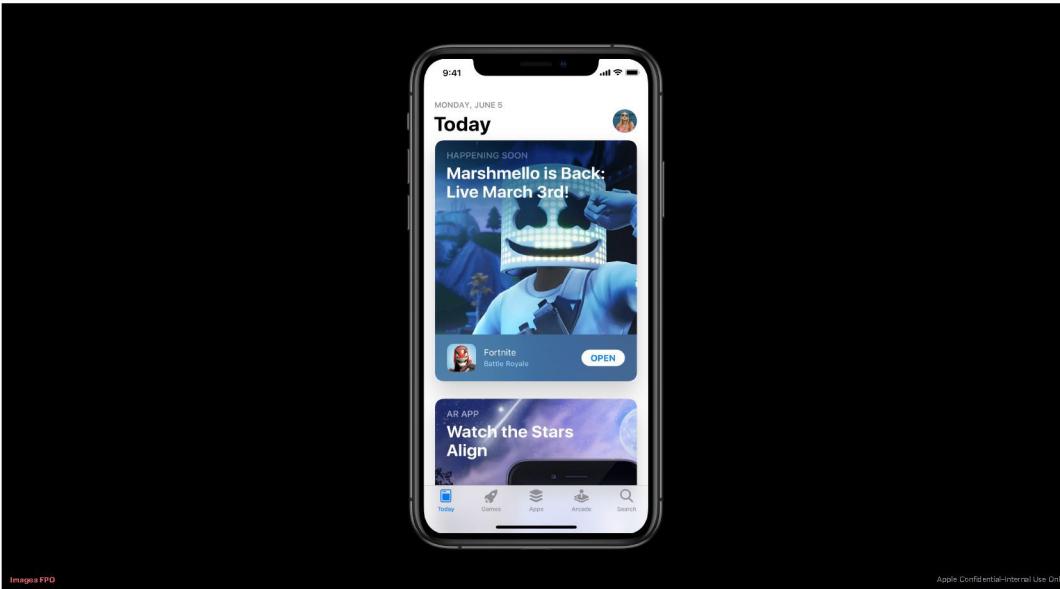
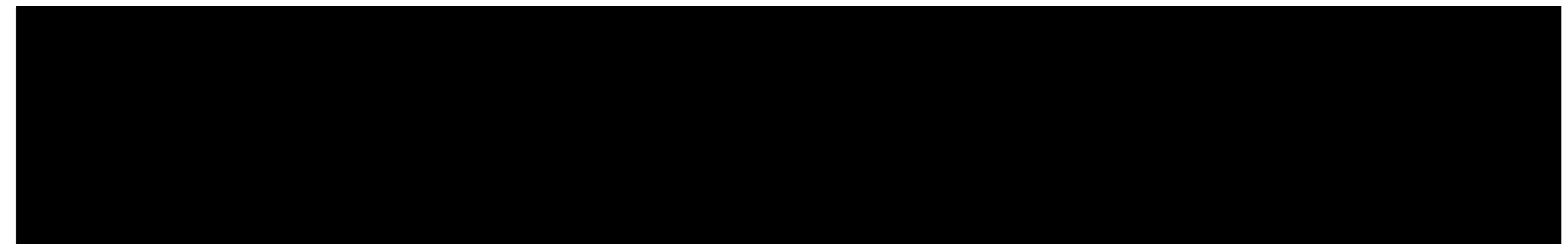
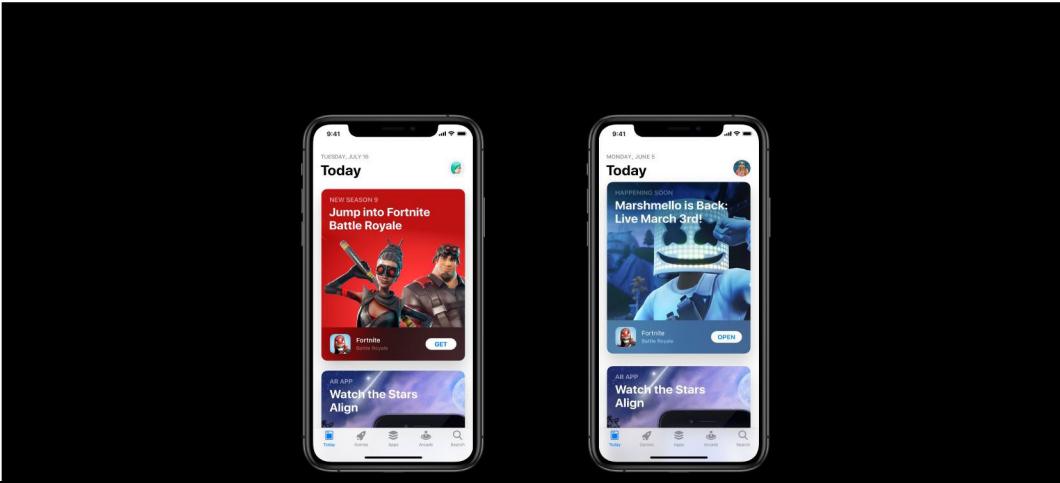


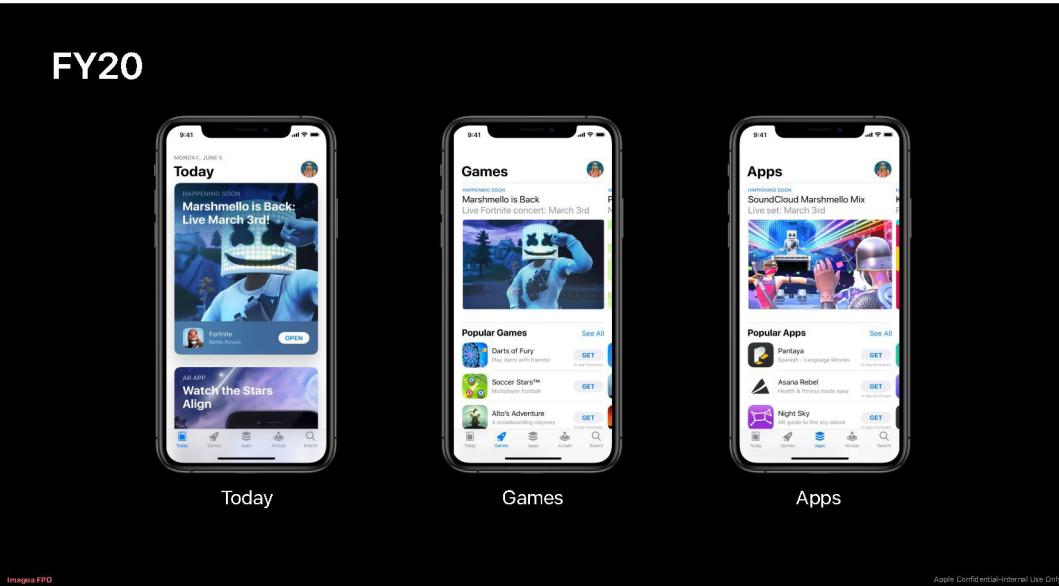
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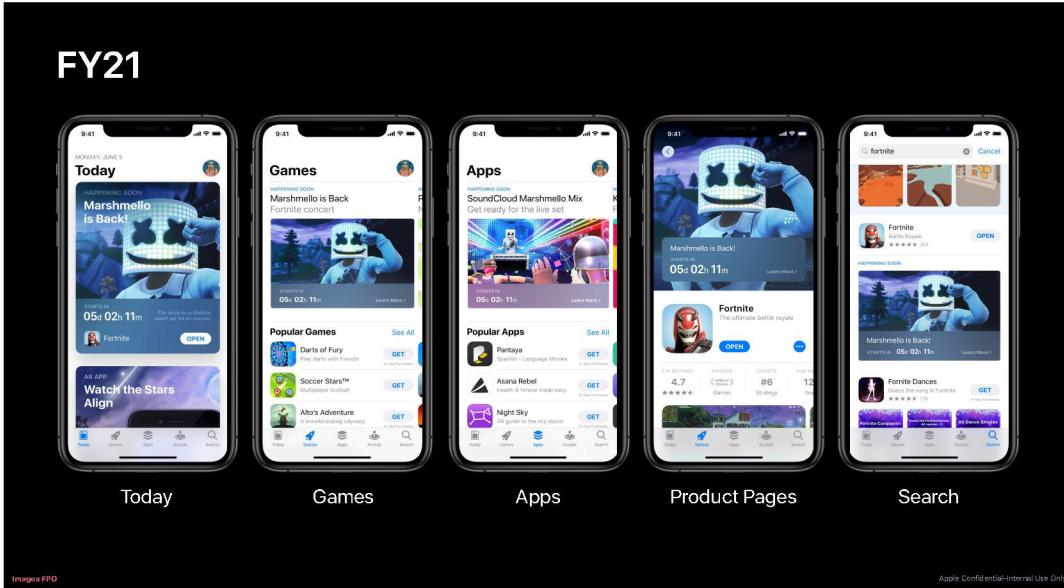




FY20



FY21



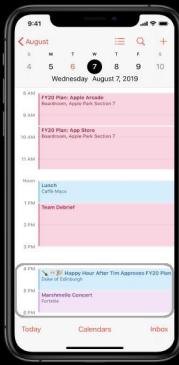
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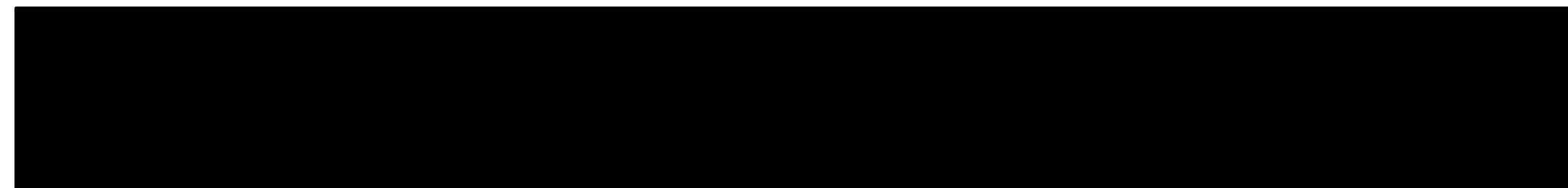
Notifications



Calendar

Image(s) FPD

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## FY20 Focus Areas

### Core Business

In-App Events

Subscriptions

Personalization

Product Pages

App Analytics

International

Marketing

### Ecosystem

App Clips

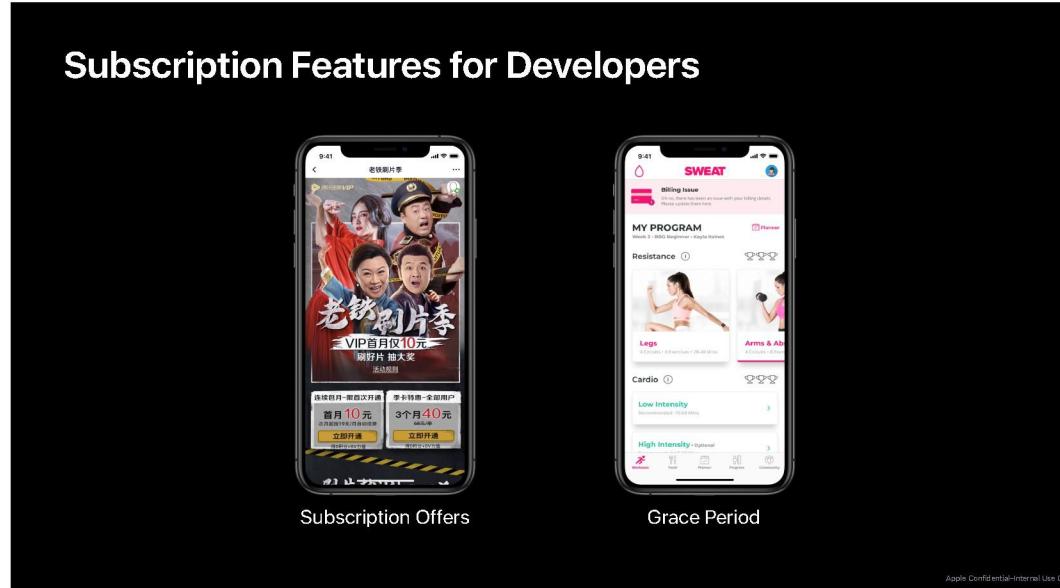
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## Subscription Features for Developers

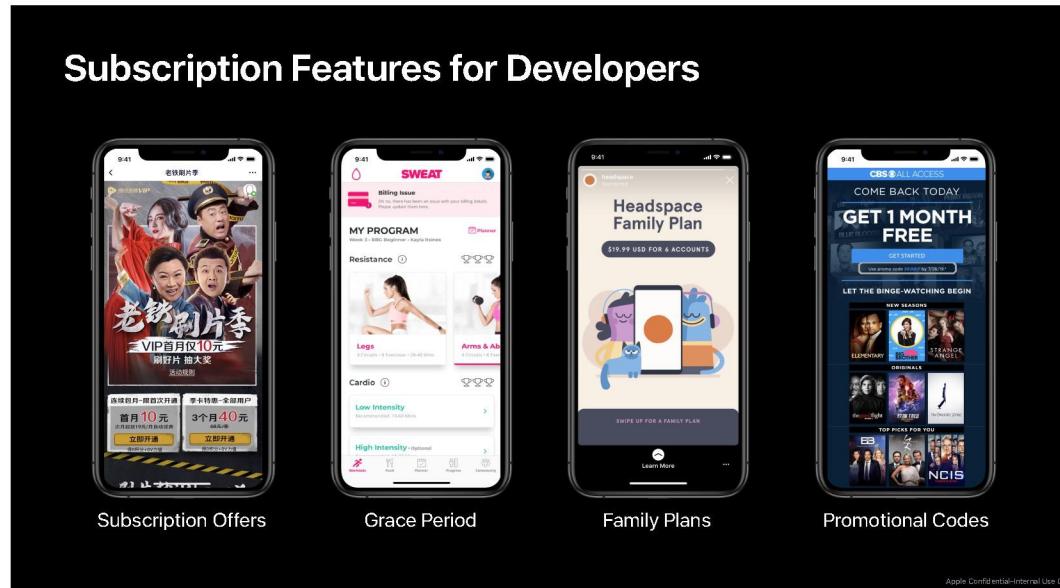


This past year, we've continued to deliver features to help subscription developers grow and retain customers.

In markets with dedicated subscriptions support, our team drives feature adoption among top developers to amplify their impact such as:

- In China, where Tencent Video has launched winback offers
- Or Australia, where Sweat with Kayla has worked with our team to pilot a service Grace Period during billing retry.

## Subscription Features for Developers



In 2020, new features will be added for developers to adopt, including:

- Family plans, which will give developers functionality for family sharing and
- Promotional codes [CLICK] which will enable paid partnerships and marketing for 3rd party developers and allow new customers to be acquired on our platform

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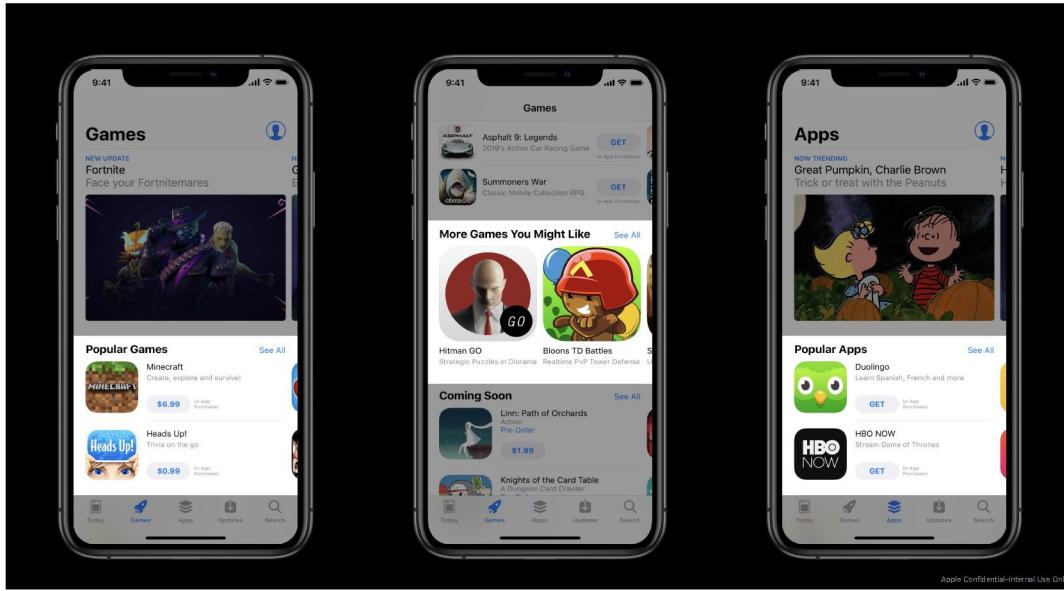
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Now, personalization.





We've been emphasizing growth by incorporating signals like monetization, and introducing new personalized areas like these.

In almost every instance where we have presented a more personalized and relevant experience to our customers, we've seen upticks in engagement and transactions.

We want to leverage personalized recommendations in even more places to drive transactions.

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## FY20 Focus Areas

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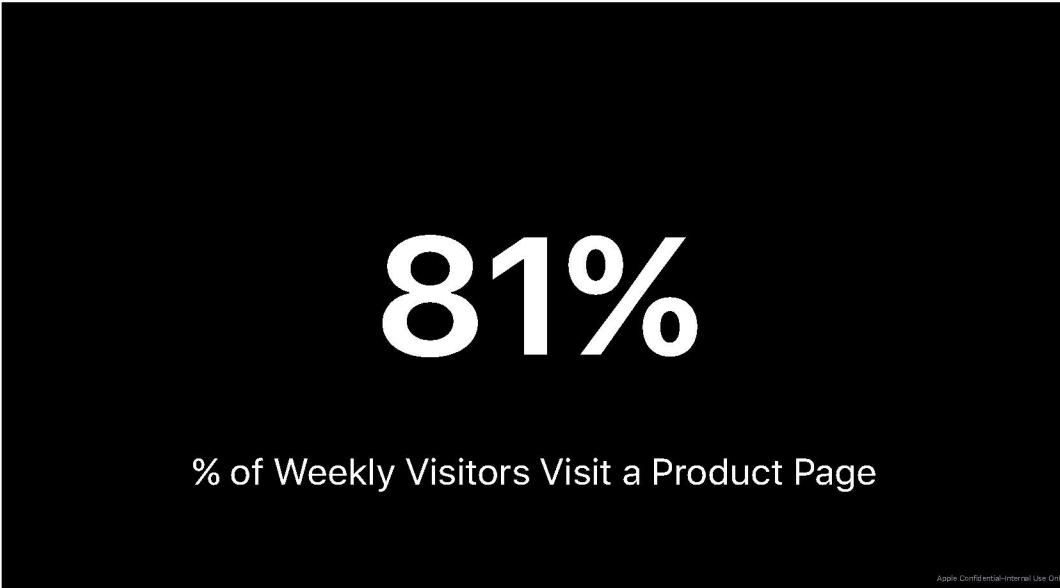
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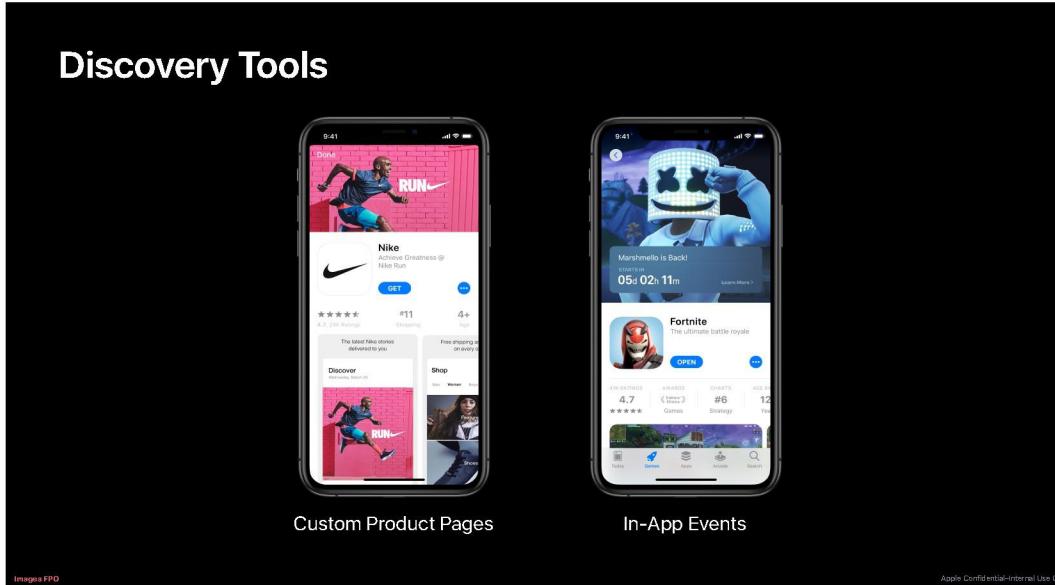
As we all know, the home for every app is its product page, which is our next major focus area.



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Over 80% of weekly visitors visit a product page, and nearly all of referral traffic lands on a product page.

## Discovery Tools

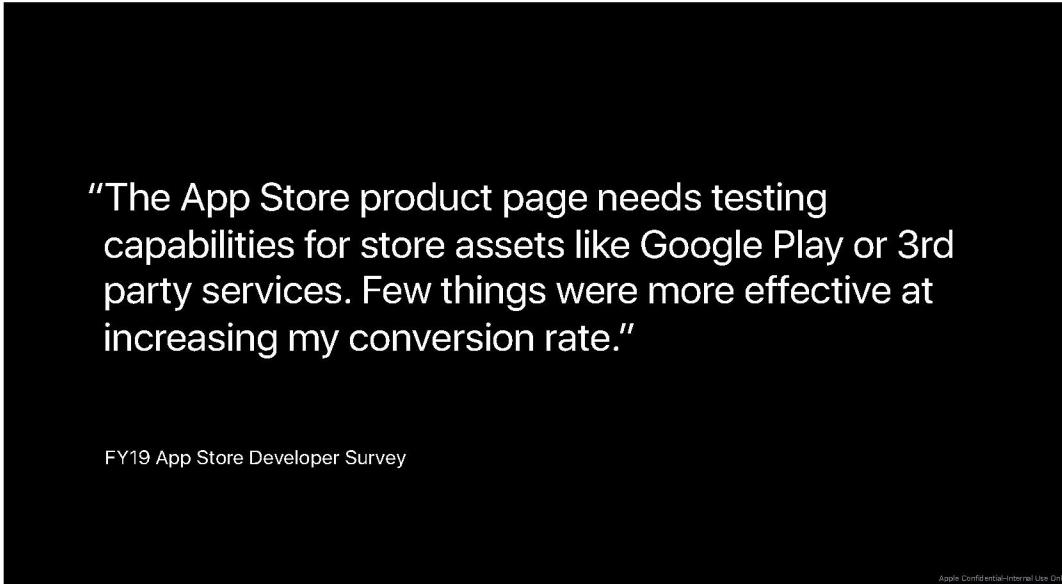


Custom Product Pages

In-App Events

Two of the tools already discussed - custom product pages and merchandising for in-app events - are directly related to this goal and will unlock hundreds of millions of dollars in incremental growth for our business, and their's.

[Handoff to Anne Z]



"The App Store product page needs testing capabilities for store assets like Google Play or 3rd party services. Few things were more effective at increasing my conversion rate."

FY19 App Store Developer Survey

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We're always soliciting feedback from our developer community, and we've heard from many of them that small enhancements to the product page can have a significant impact on their business.

To quote one from our 2019 survey [read quote]

So how can we better support developers to improve their product page conversion?

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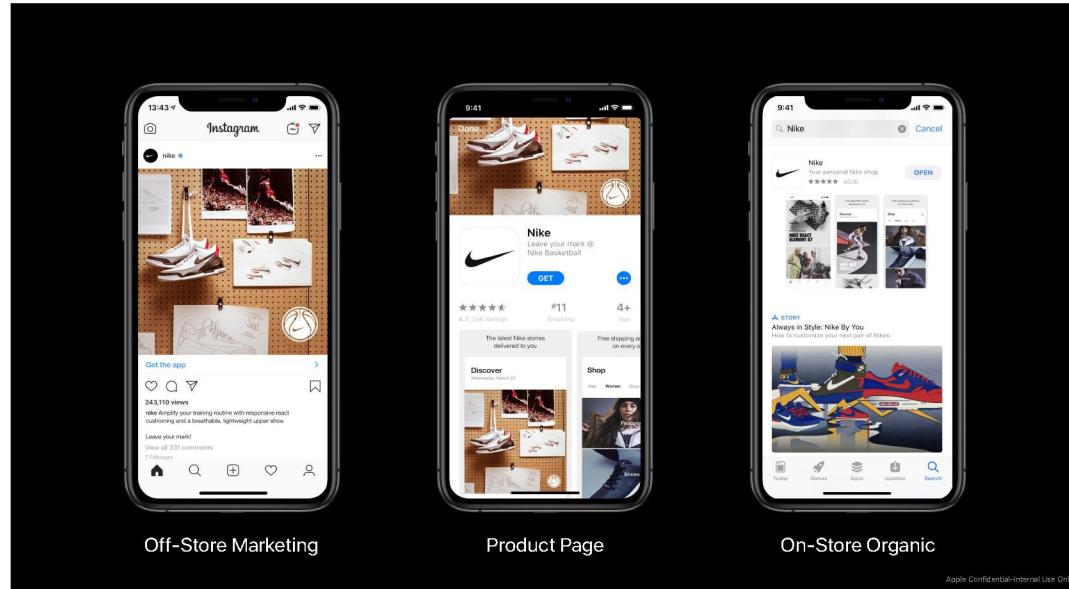
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Now, let's talk about a feature that would go hand-in-hand with a product page testing platform, App Analytics.



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## FY20 Focus Areas

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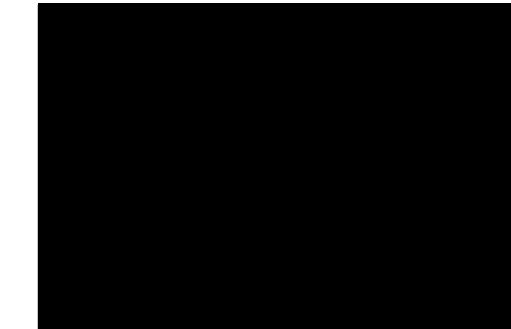
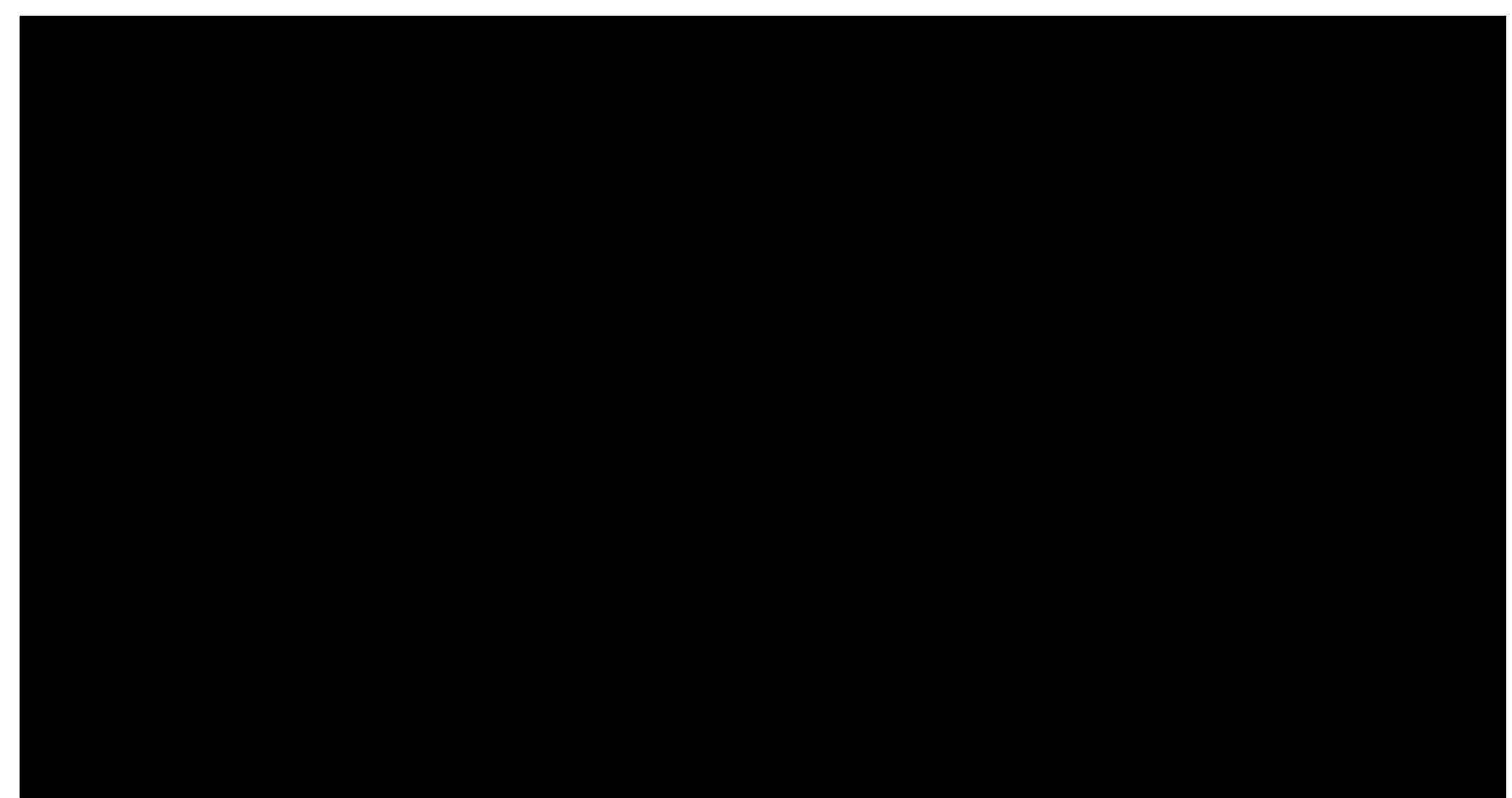
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## Middle East



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Last year, you approved a plan for supporting right-to-left languages on the App Store. This is launching in September.



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I am very excited to announce that in FY20, we plan to expand from our current 155 countries to...



...176 markets. That's an 21 additional countries, where we currently sell the iPhone, with no services.

We plan to launch this in April 2020.

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Countries we are launching in:

- Europe: +6 countries (Bosnia and Herzegovina, Georgia, Kosovo, Monaco, Montenegro, Serbia)
- Africa: +8 countries (Cameroon, Congo DR, Cote d'Ivoire, Gabon, Libya, Morocco, Rwanda, Zambia)
- Middle East: +2 countries (Iraq, Afghanistan)
- Asia: +5 countries (Maldives, Myanmar, Nauru, Tonga, Vanuatu)

Countries we are not launching in:

- In Africa: Sudan, South Sudan, Central African Republic, Ethiopia, Somalia, Lesotho, Eswatini, Guinea
- In Middle East/Asia: Syria, Iran, Bangladesh, North Korea
- In Europe: Albania
- In Latin America: Cuba, Haiti

## FY20 Focus Areas

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- In-App Events
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### Ecosystem

- App Clips
- Anti-Fraud
- OFAC Compliance
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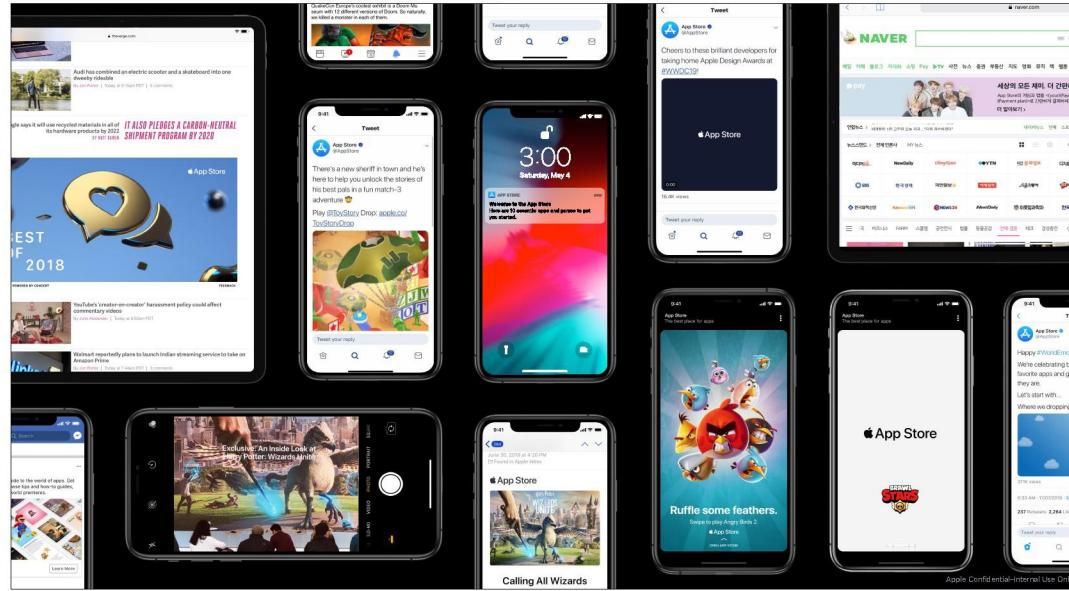
Now let's turn to driving demand with our off-store levers and marketing programs.

**[Handoff to Guig]**

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## GUIG:

The App Store is in more places and reaching more customers than ever before...across social, email, Apple Retail, and many other places. I won't walk you through all them today, but rather, focus on two levers in particular that we are seeing an increased Billings impact and opportunity to scale in the upcoming year.

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### Core Business

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ANN

So those were our priorities for the App Store Core business in FY20.

[CLICK]

Now, I'll pass it over to Latika to give an update on several important initiatives to support the Apple Ecosystem.

## FY20 Focus Areas

### Core Business

- In-App Events
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### Ecosystem

- App Clips
- Anti-Fraud
- OFAC Compliance
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Thanks Ann.

[CLICK]

We'll start by discussing some key, upcoming OS tentpoles.

[CLICK]

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- App Clips
- Anti-Fraud
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As is every year, the App Store supports new Developer Technologies and Development tools initiatives from Craig's team.  
[CLICK]

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## FY20 Focus Areas

### Core Business

- In-App Events
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### Ecosystem

- App Clips
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Next, we have another feature from Craig's team called App Clips.

## App Clips

- Discover and use app experiences instantly
- Native app technologies, using App Store infrastructure

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The vision for App Clips is to allow customers to discover and use native app experiences more quickly than is possible today.

These will be built using native app technologies and fully reviewed by App Review, and would be hosted powered by App Store infrastructure.

There are many decisions that need to be made around how customers will experience this feature and technical implementation, but we anticipate that this will be a sizable effort for the App Store engineering team.

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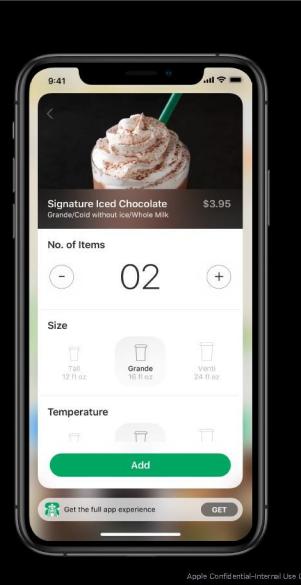
App Clips could be accessed through a number of discovery points — in the physical world via things like QR codes, NFC, and AR; via search such as spotlight, and socially via apps like Messages.

This technology may be able to be used by teams such as Apple Pay and the AR team.

We think there's an opportunity to leverage this technology to power App Store features like Playable Demos.

## App Clips

- Discover and use app experiences instantly
- Native app technologies, using App Store infrastructure
- Accessed from a variety of touch points – QR, NFC, Search, iMessage, AR ...
- Can be leveraged by other Apple teams – Apple Pay Moments, AR experiences



App Clips is a candidate for Azul that Craig's team is working on — focused on allowing customers to discover and use native app experiences more quickly than is possible today.

There are a lot of decisions that still need to be made regarding both the technical implementation and how customers would experience them, but we anticipate this will be a sizable effort for the App Store engineering team.

This would use native app technologies — native code (UIKit & SwiftUI), reviewed by App Review, powered by App Store infrastructure.

Would be accessed from a variety of discovery points — in the physical world via things like QR codes, NFC, and AR; via search such as spotlight, and socially via apps like Messages.

This technology may be able to be used by teams such as Apple Pay and the AR team.

As I mentioned, many of the details of this proposal are still being defined between the cross-functional teams, and Craig's team will be coming back to you with more details.

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Next we'll discuss our efforts to combat fraud.

Having the App Store be a **safe and trusted place to get apps** means investing in **Anti-Fraud** initiatives that maintain trust between Apple, our Customers and our Developers.

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## FY20 Focus Areas

### Core Business

- In-App Events
- Subscriptions
- Personalization
- Product Pages
- App Analytics
- International
- Marketing

### Ecosystem

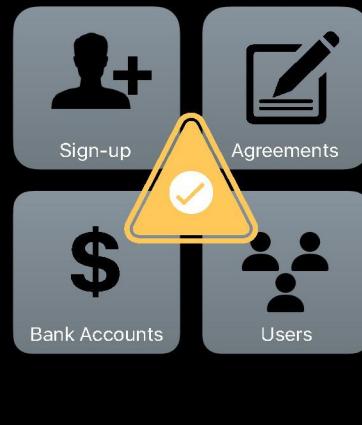
- App Clips
- Anti-Fraud
- OFAC Compliance
- Privacy

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Our next ecosystem initiative involves supporting regulations from the US Department of the Treasury's Office of Foreign Assets Control, affectionately referred to as OFAC.

## OFAC Compliance

- Regulation forbids all companies from doing business with a sanctioned party
- Conduct developer checks during Enrollment, Agreements, Banking, and Users flows



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This work is part of an Apple-wide effort led by the Global Export & Sanction Compliance group to comply with OFAC regulations around doing business with sanctioned parties.

-Affects all AMP content providers, for the App Store it impacts developer flows during program enrollment, signing agreements, updating banking info, updating users on the Developer team.

## FY20 Focus Areas

### Core Business

- In-App Events
- Subscriptions
- Personalization
- Product Pages
- App Analytics
- International
- Marketing

### Ecosystem

- App Clips
- Anti-Fraud
- OFAC Compliance
- Privacy

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Finally, Privacy is a top priority for the App Store in FY20.

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

APL-APPSTORE\_08932468

DX-4094.091

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

APL-APPSTORE\_08932469

DX-4094.092

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

APL-APPSTORE\_08932470

DX-4094.093

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

DX-4094.094

APL-APPSTORE\_08932471

<b>Information</b>	<b>Supports</b>
Seller	Game Center
Size	Siri
Category	Wallet
Compatibility	Family Sharing
Location	
Languages	
Age Rating	
In-App Purchases	
Copyright	
Developer Website	
Privacy Policy	

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Here is the standard information and Apple technology support we show today.

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DX-4094.096

APL-APPSTORE\_08932473

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

APL-APPSTORE\_08932474

DX-4094.097

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

APL-APPSTORE\_08932475

DX-4094.098

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

APL-APPSTORE\_08932476

DX-4094.099

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

APL-APPSTORE\_08932477

DX-4094.100

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

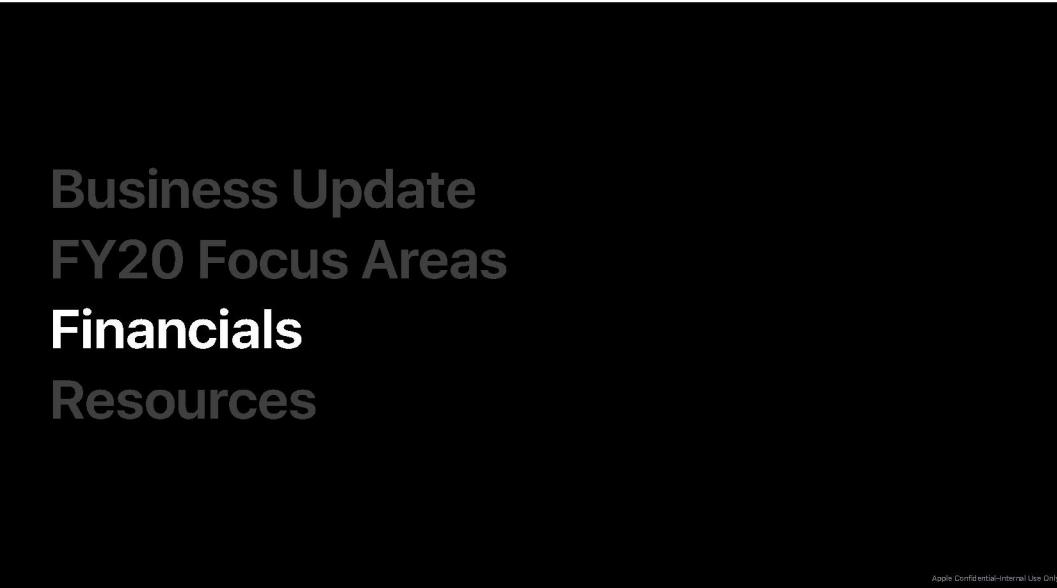
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APL-APPSTORE\_08932478

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

DX-4094.102

APL-APPSTORE\_08932479



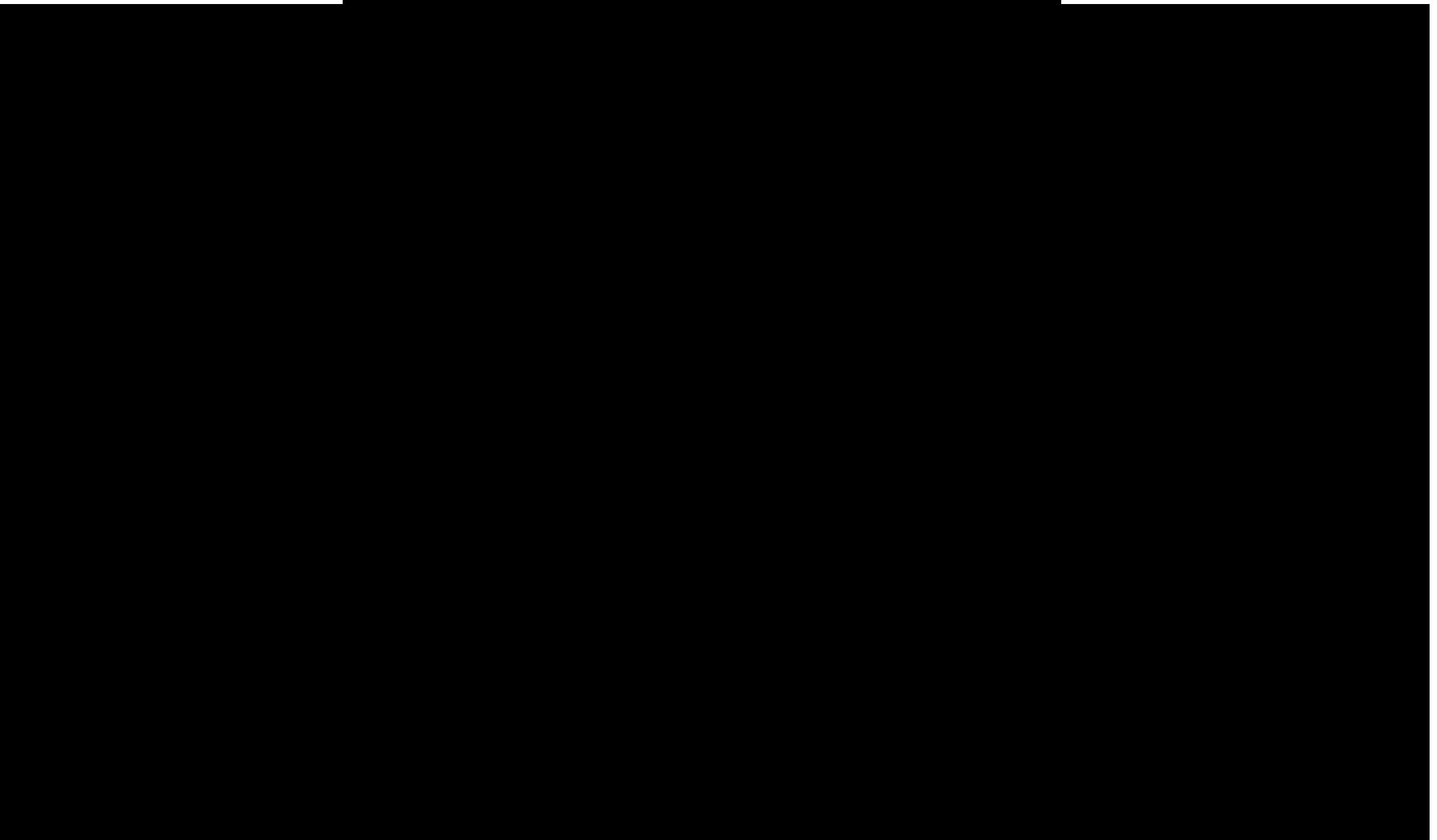
**Business Update**  
**FY20 Focus Areas**  
**Financials**  
**Resources**

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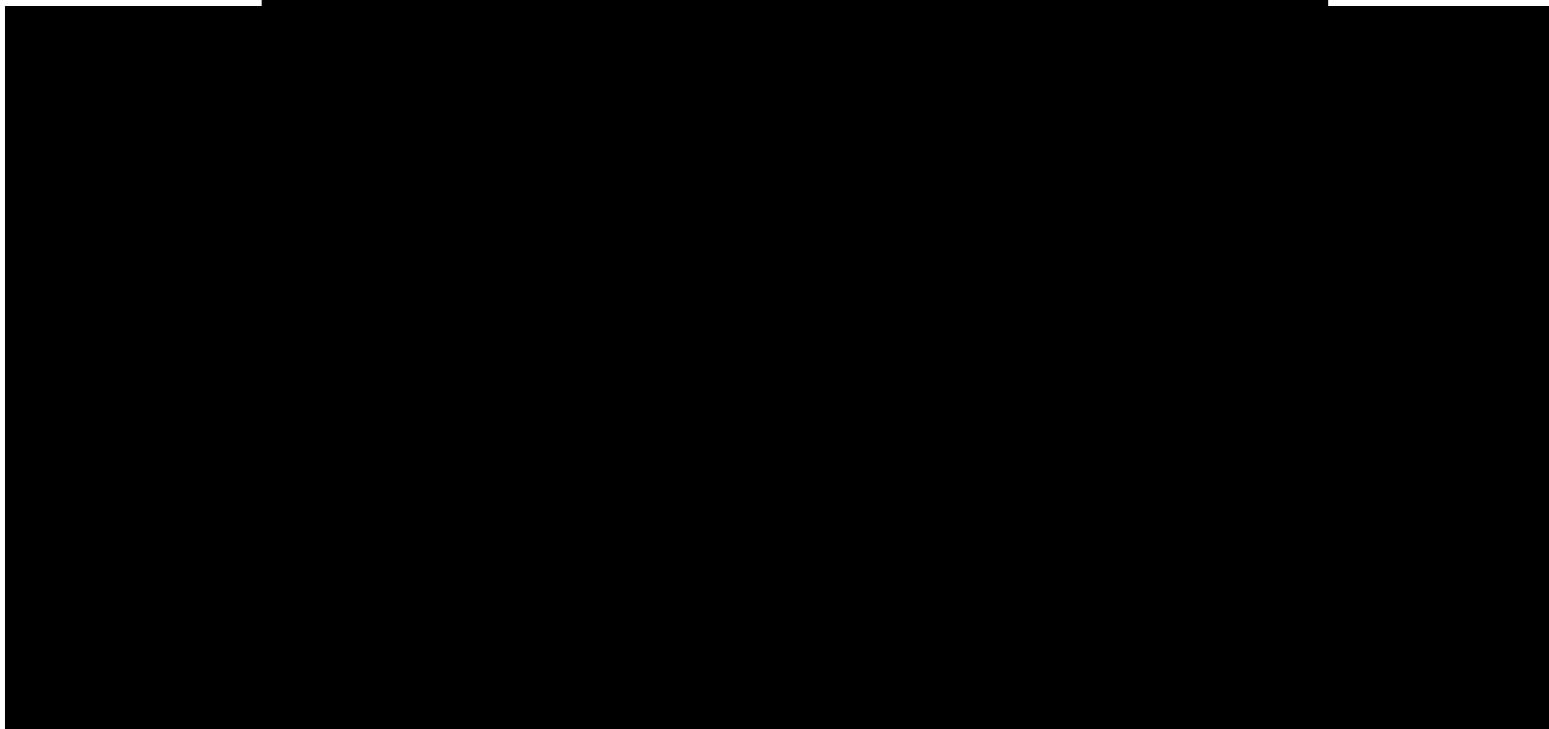
Now let's take a look at our Financials.

## App Store Billings

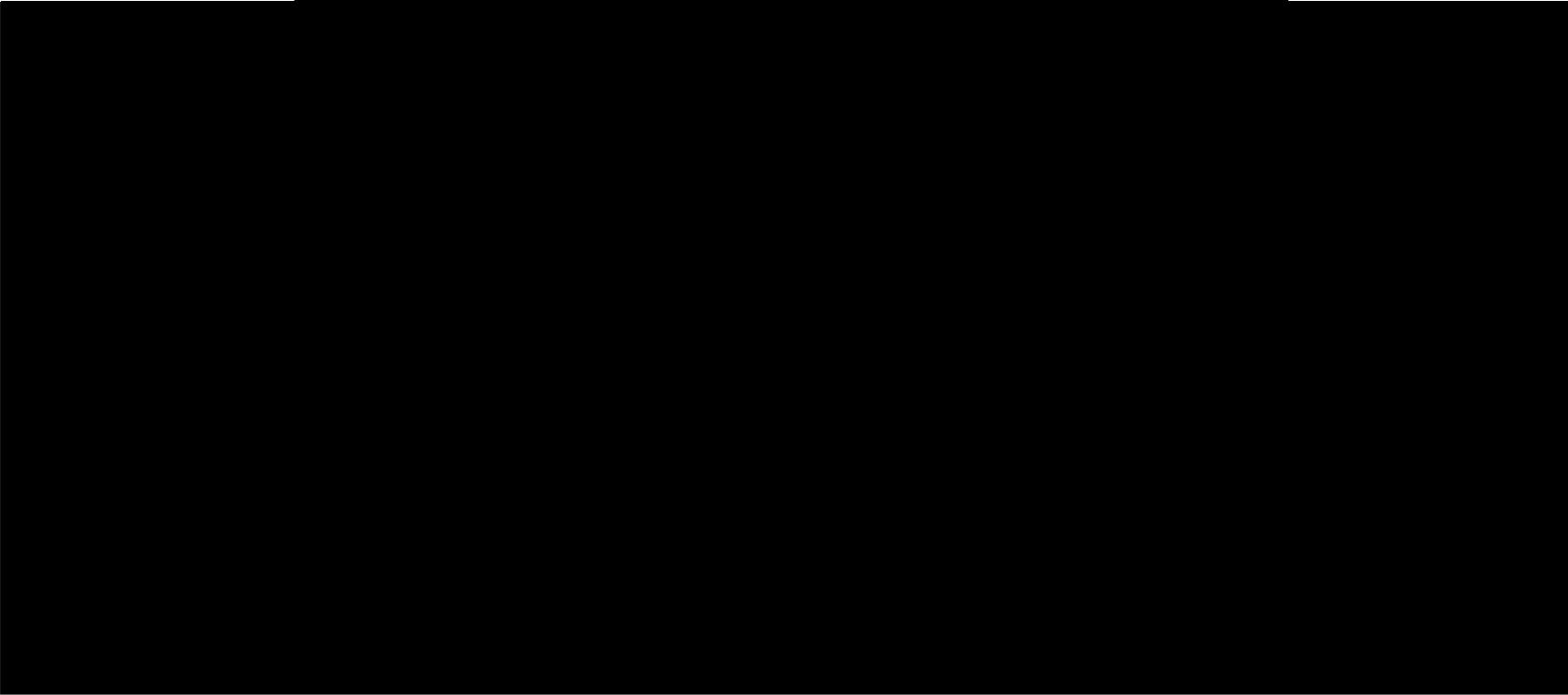
**App Store Billings (CC)**



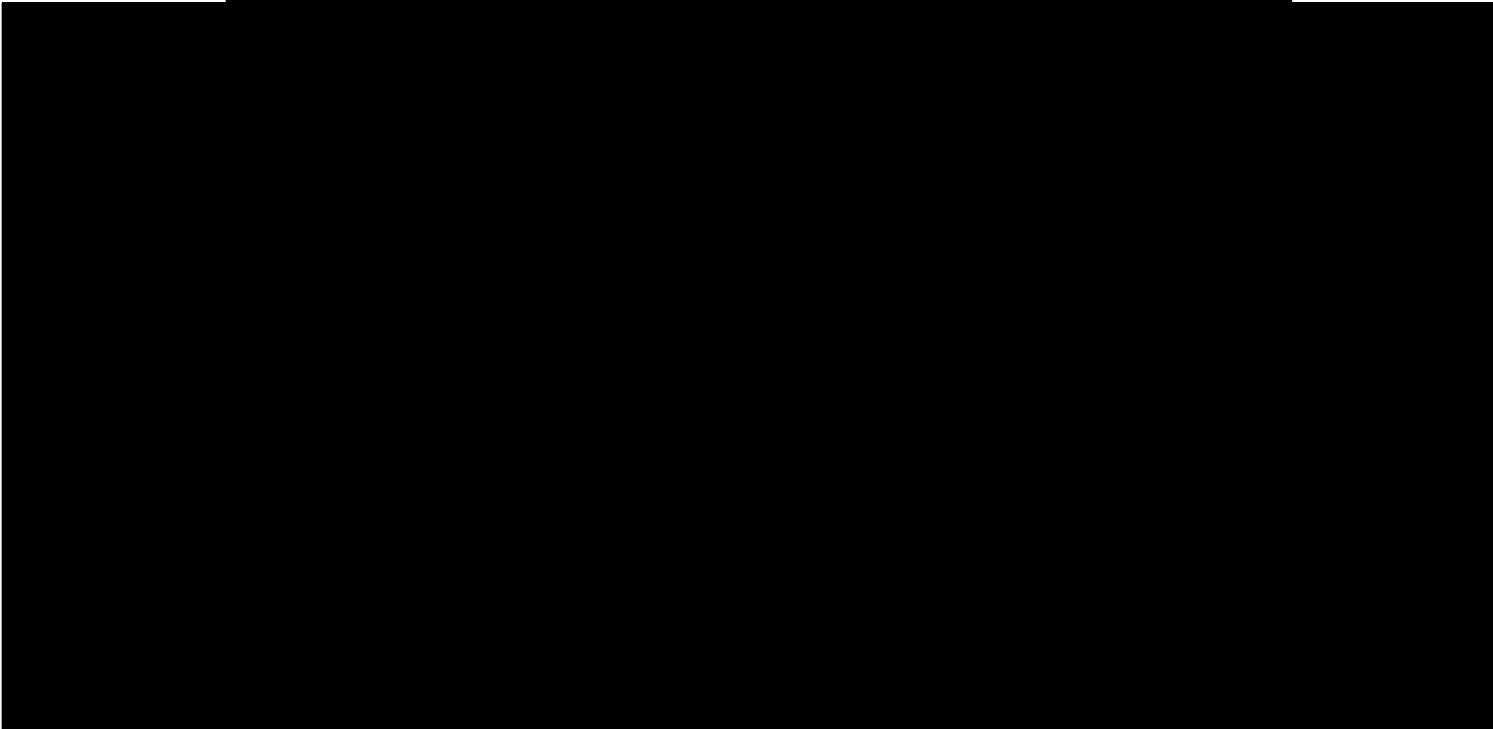
**US App Store Billings**



## China App Store Billings



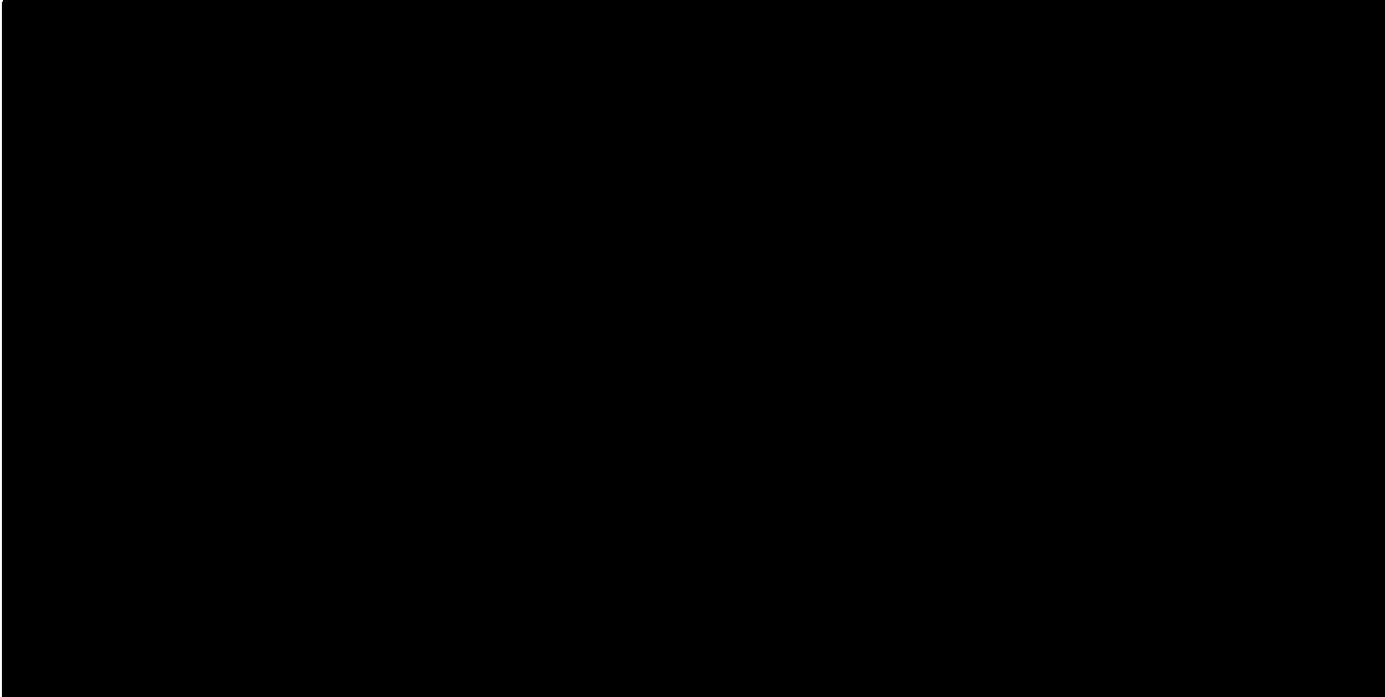
**Japan App Store Billings**



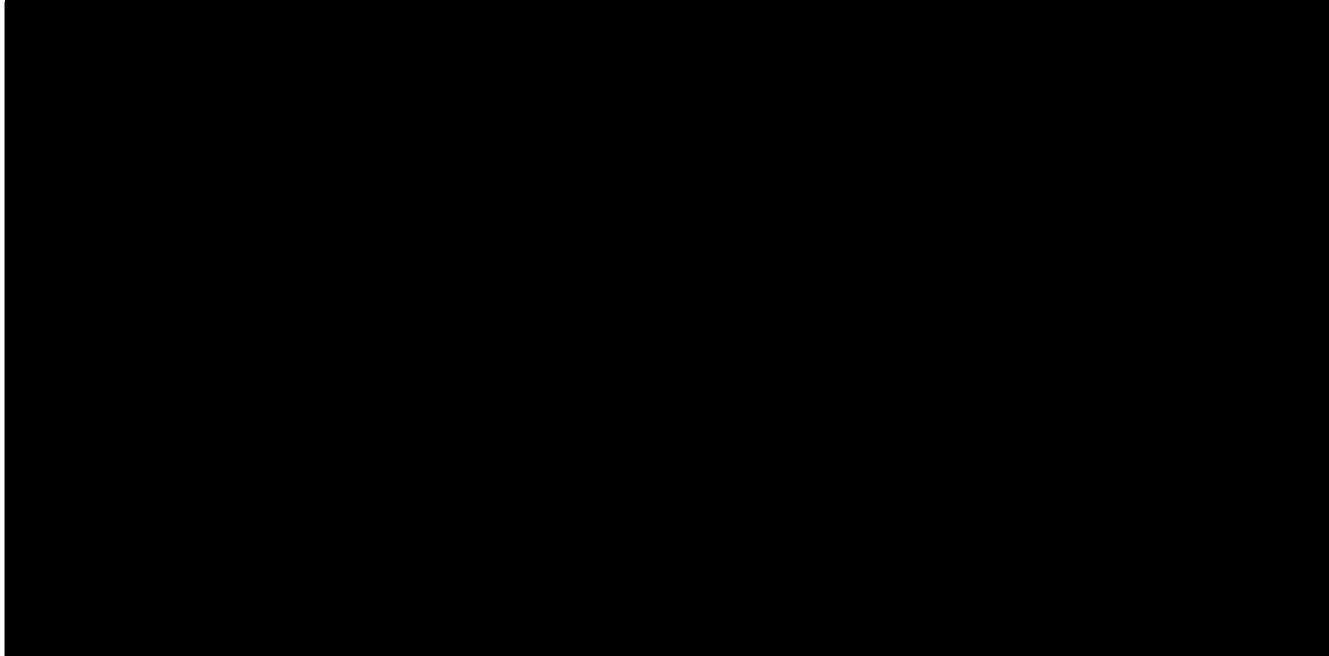
## App Store Revenue

## **App Store Growth Bridge**

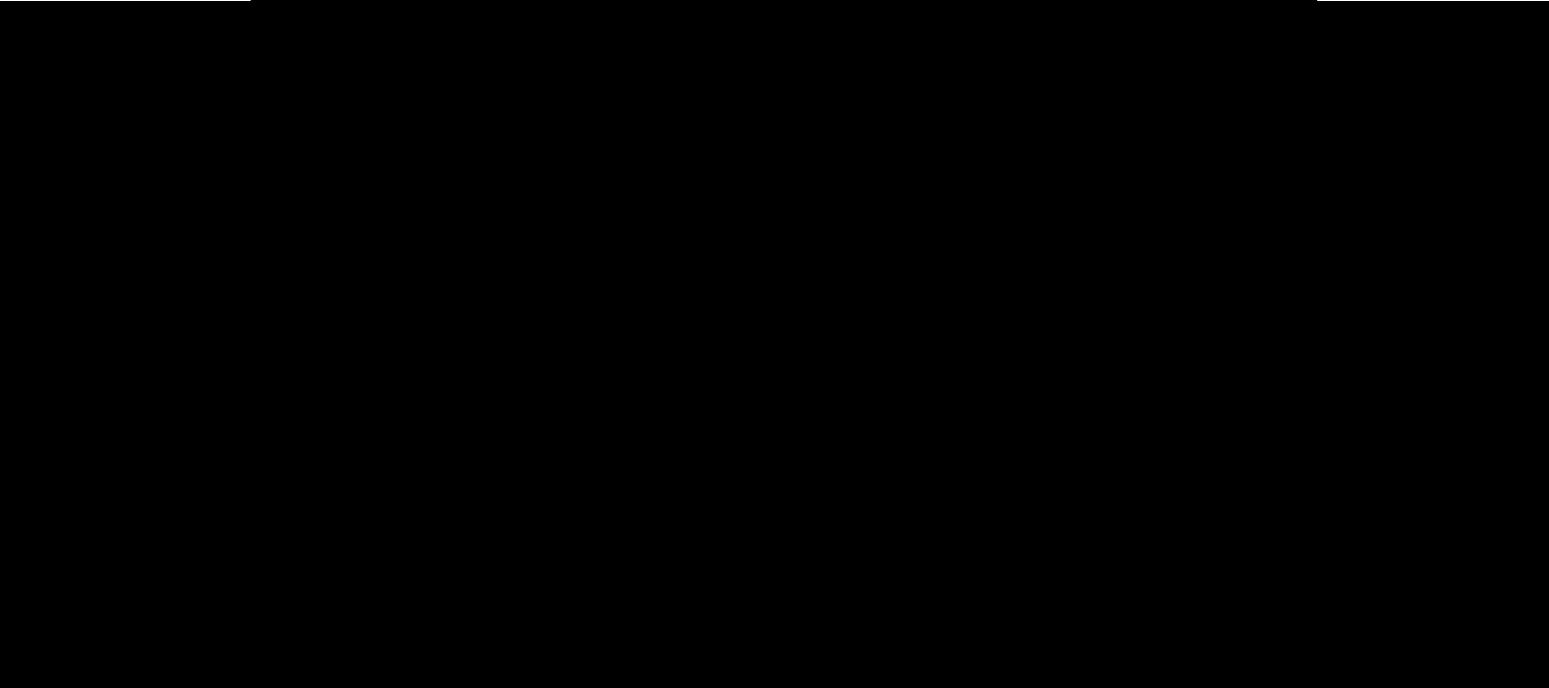
## App Store Billings by Region



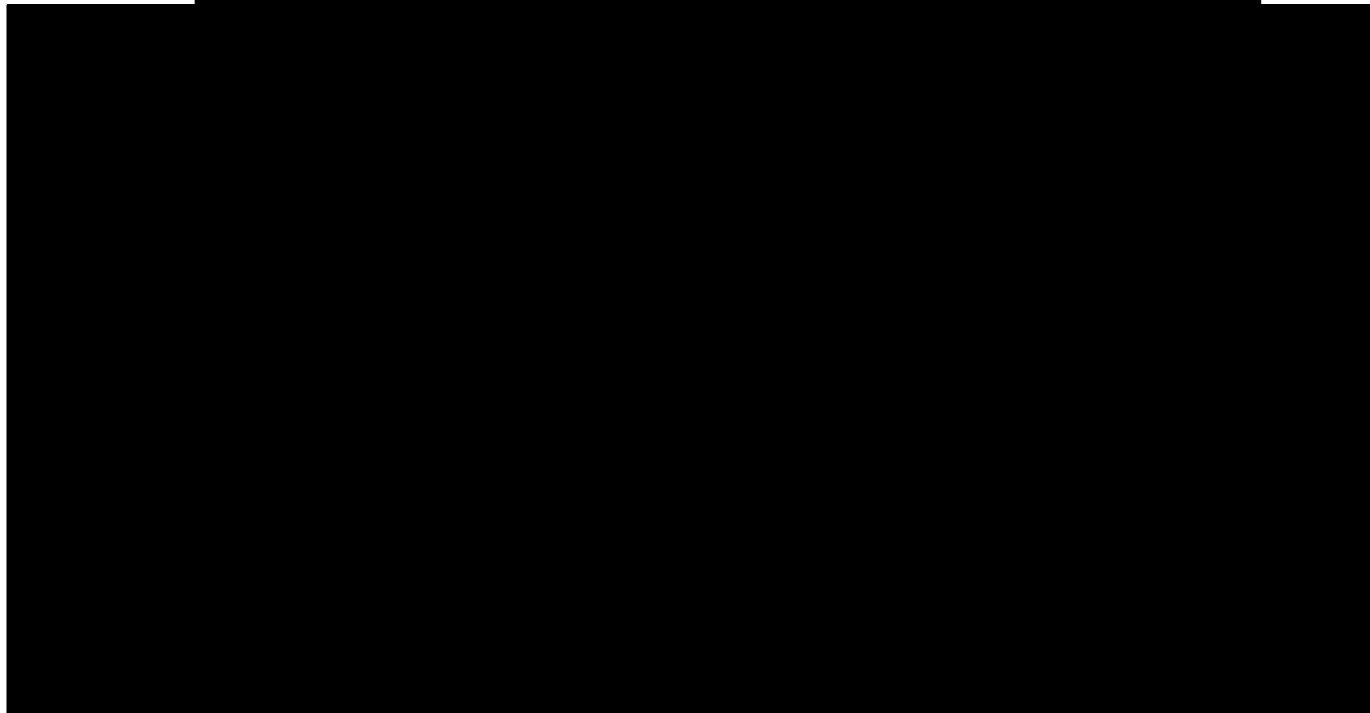
## iOS Apps Billings by Region



## 3P Subs Billings by Region



## Mac Apps Billings by Region



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APL-APPSTORE\_08932492

DX-4094.115

Total App Store OCOGS

## Total App Store OPEX

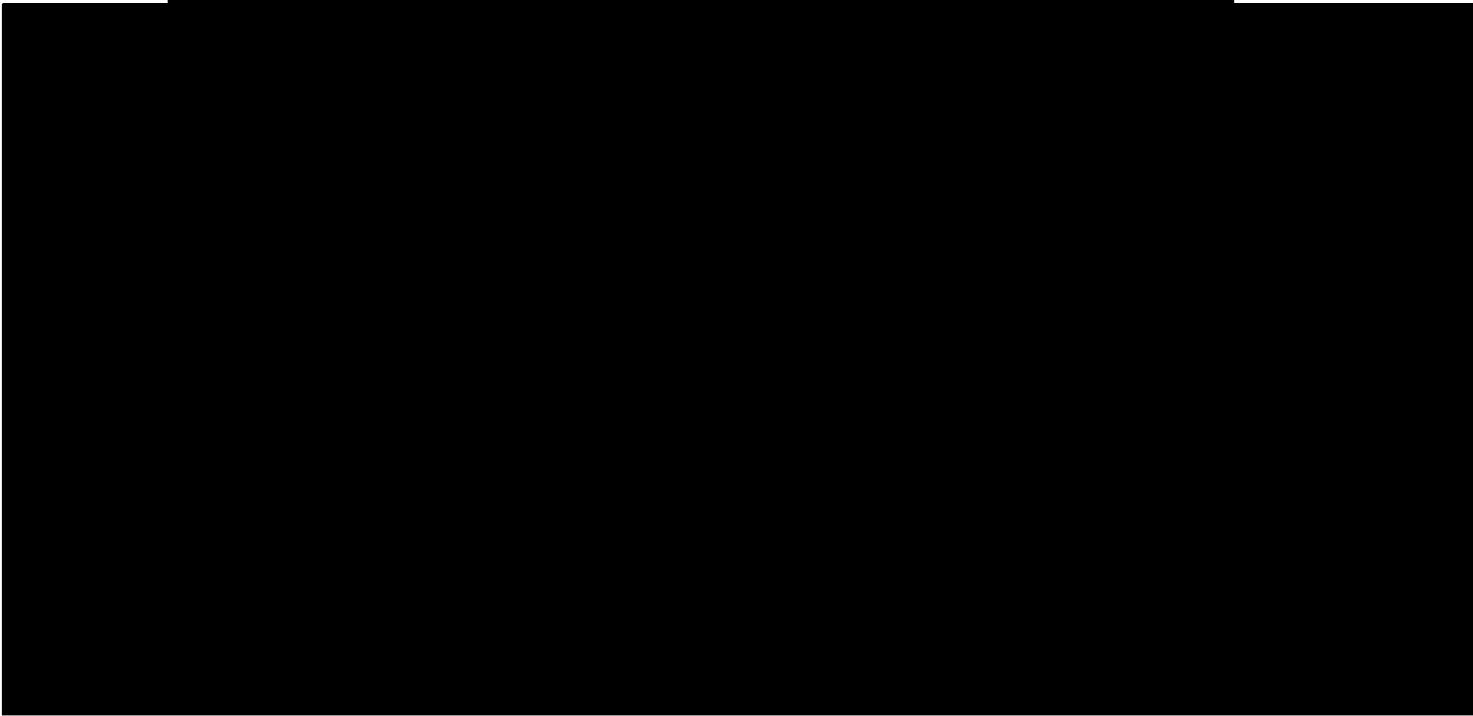
**Business Update  
FY20 Focus Areas  
Financials  
Resources**

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**Headcount Total (App Store)**

**Headcount Total (App Store and Arcade)**

FY20 Arcade + App Store Exit Headcount



**Headcount Total (App Store)**

**Headcount Total (App Store and Arcade)**

## Headcount Total App Store

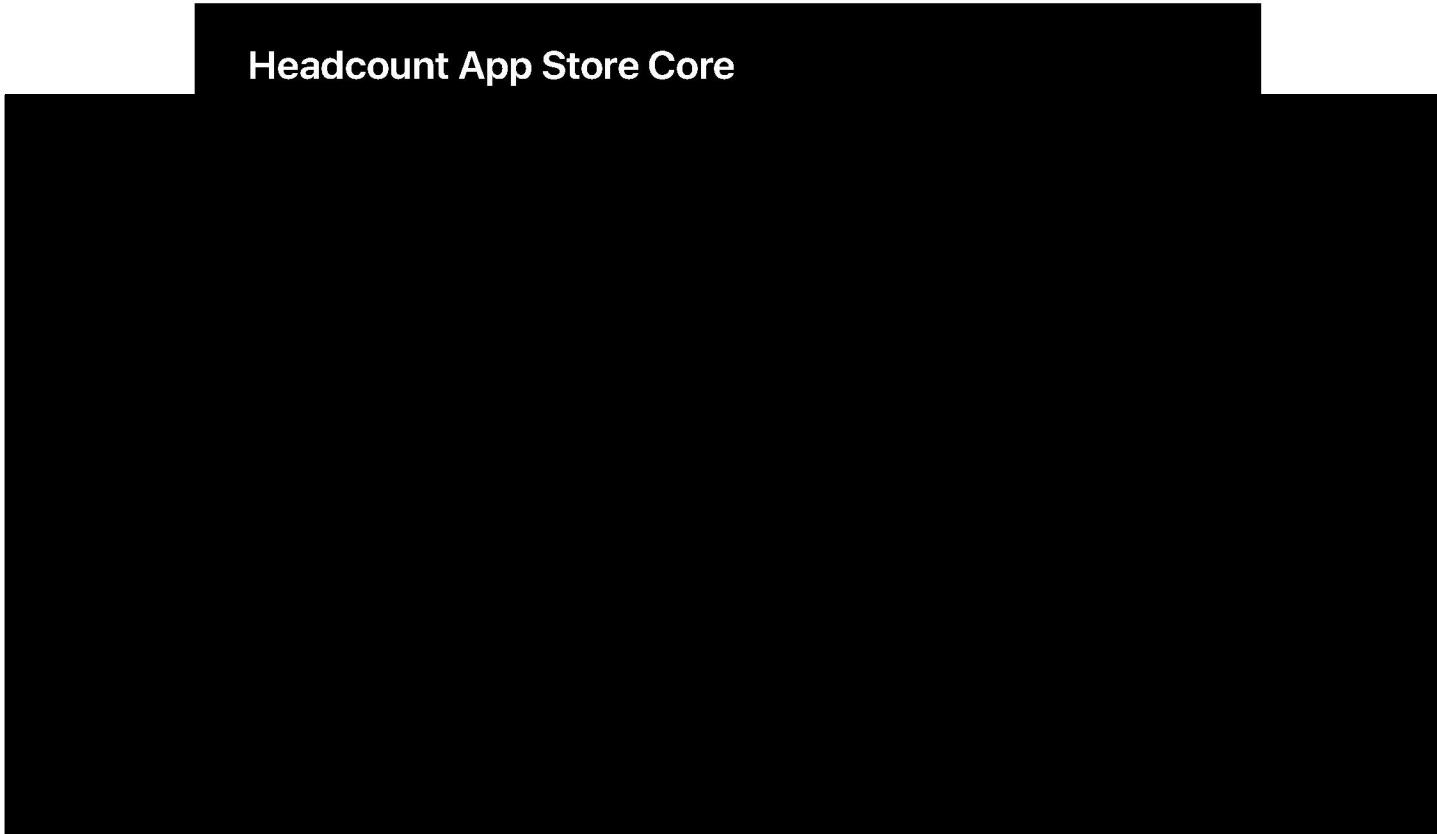
Same view, Impact Sizing at top

# Headcount Total App Store

Original

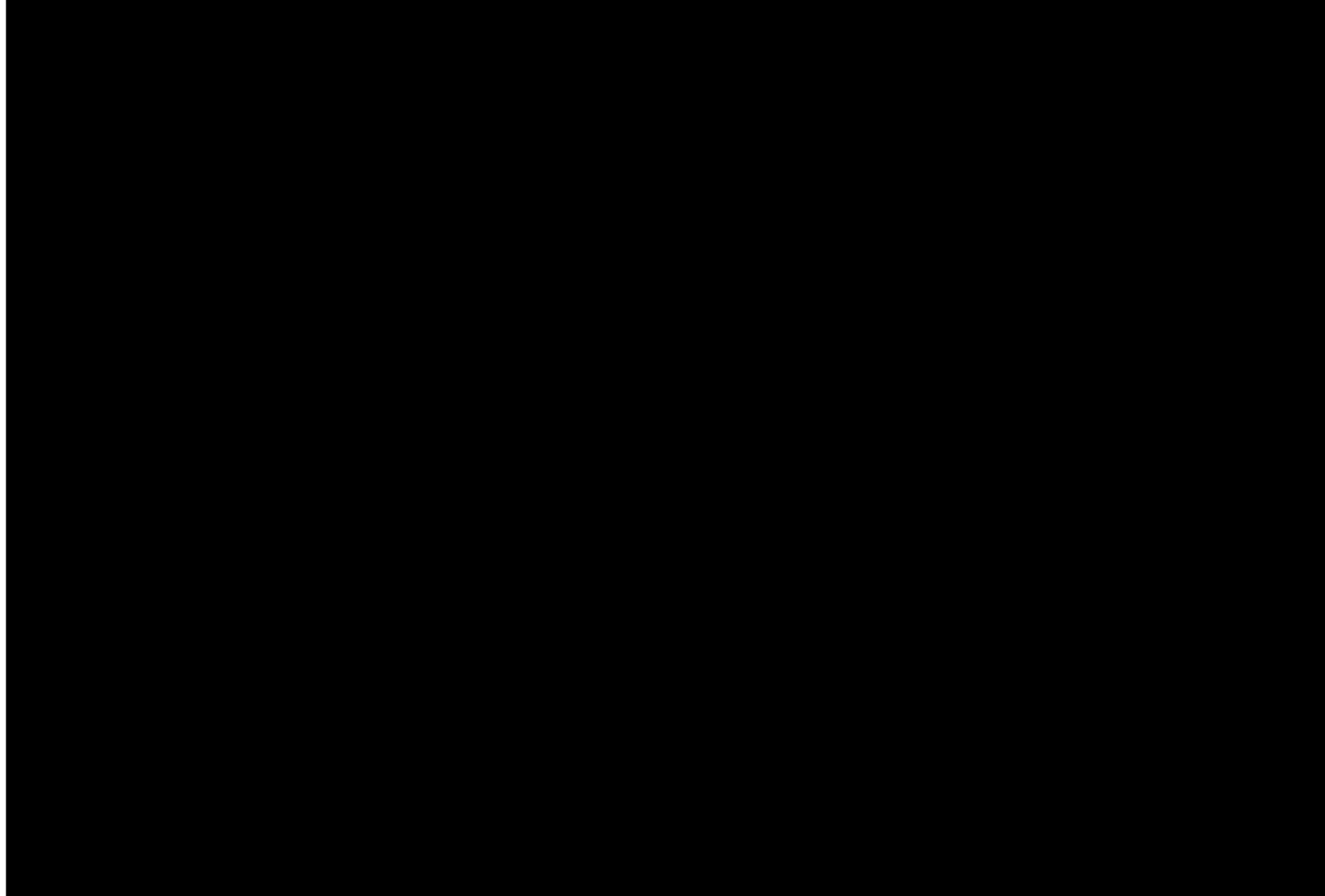
**Headcount Total App Store**

**Headcount App Store Core**



## Headcount Ecosystem



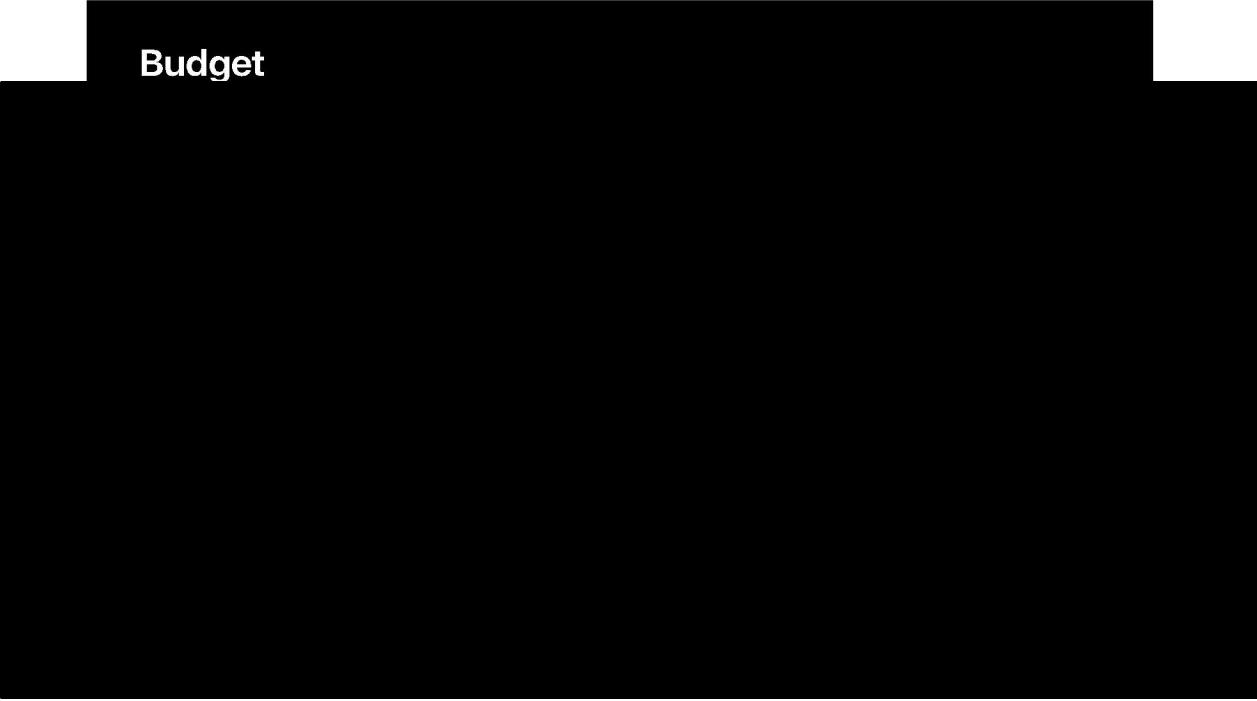


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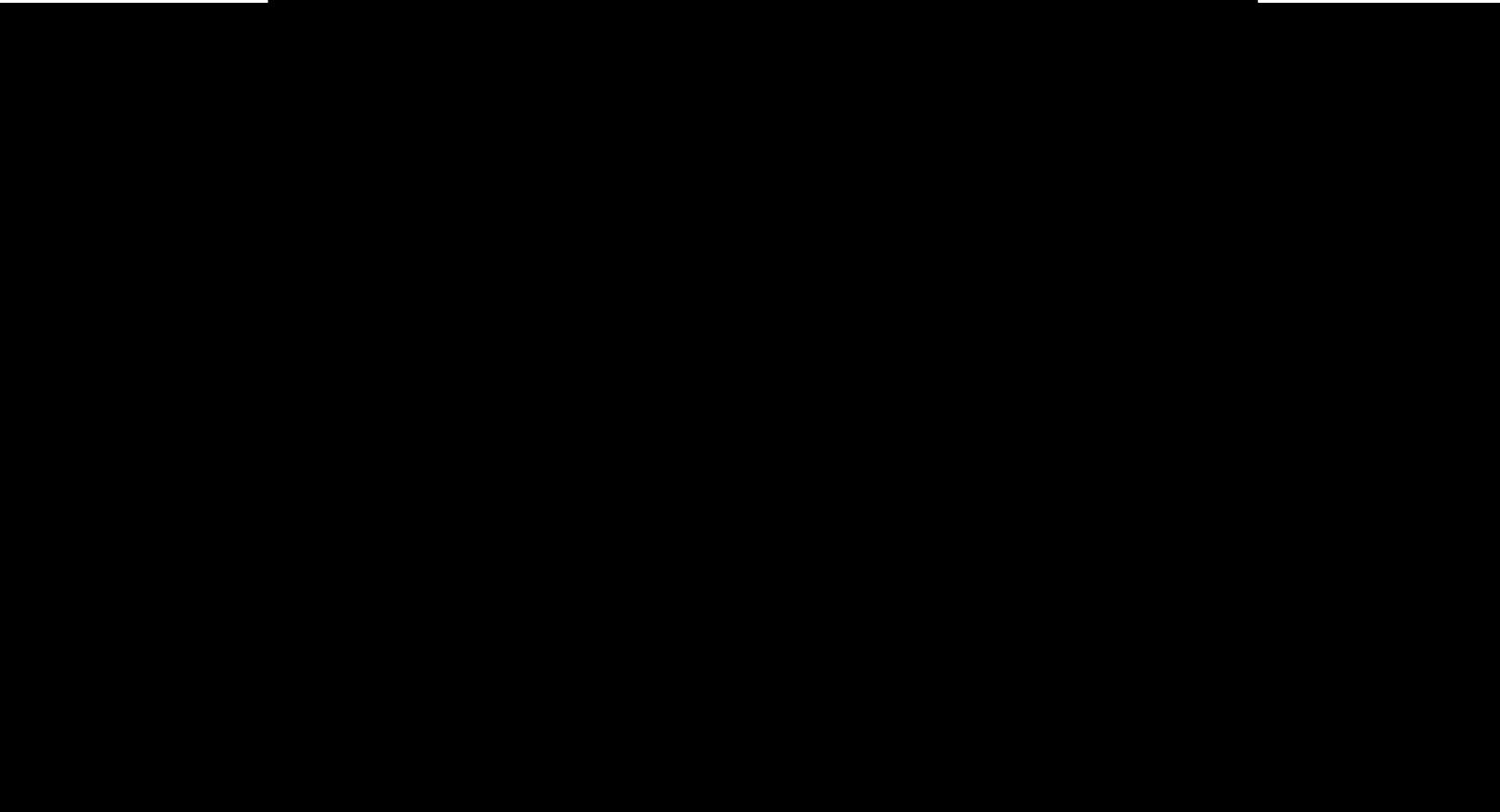
DX-4094.129

APL-APPSTORE\_08932506

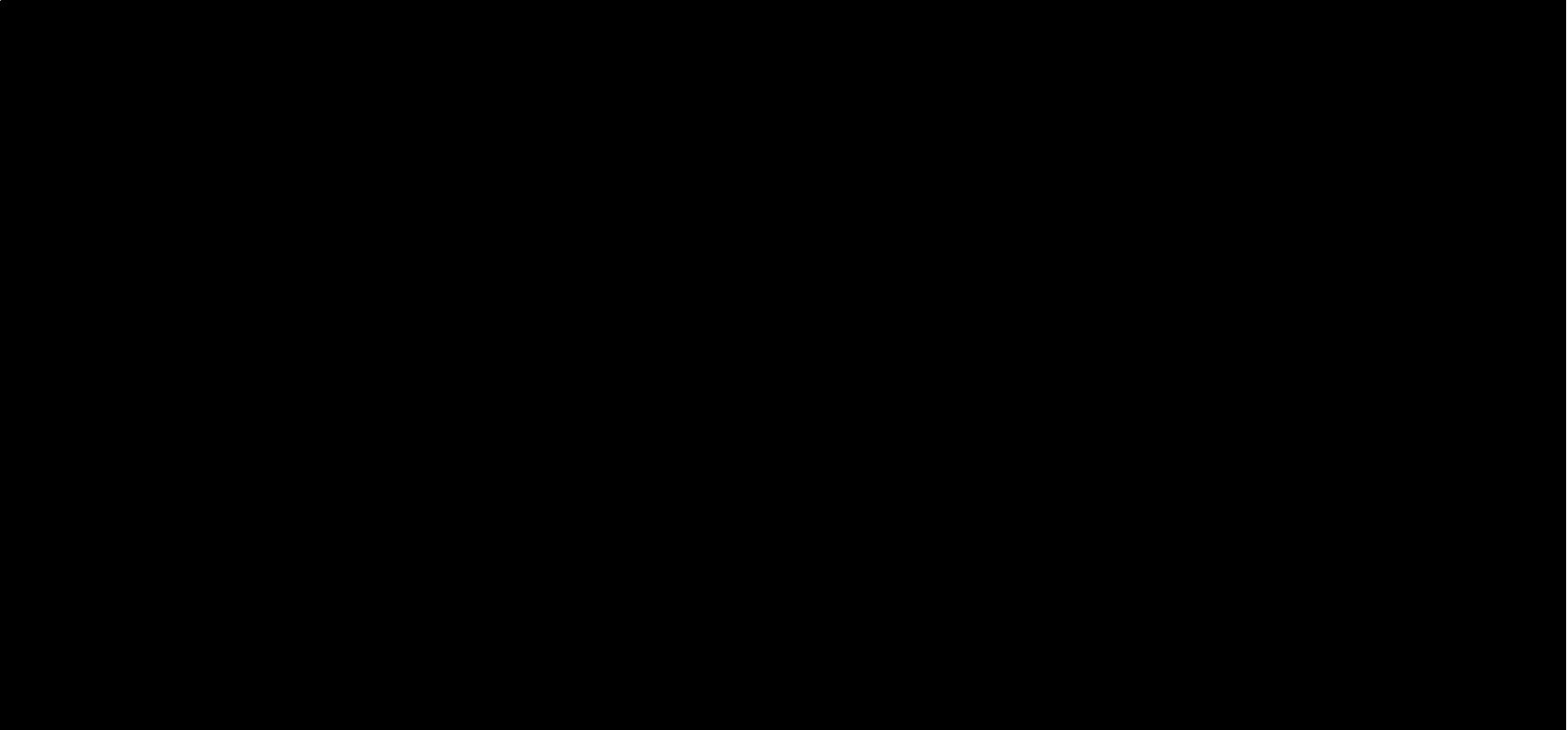
**Budget**



## Budget



## Budget



## Total Design HI & Editorial (OCOGS)

	FY'19F	FY'20 Plan	YoY %	YoY \$
1				\$0M
2				\$0M
3				\$0M
	Total App Store Core	\$0M	\$0M	\$0M
1				\$0M
2				\$0M
3				\$0M
	Total Arcade	\$0M	\$0M	\$0M
	Total App Store	\$0M	\$0M	\$0M

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Comments as needed...

## Total Design Marketing (OPEX)

	FY'19F	FY'20 Plan	YoY %	YoY \$
1				\$0M
2				\$0M
3				\$0M
	Total App Store Core	\$0M	\$0M	\$0M
1				\$0M
2				\$0M
3				\$0M
	Total Arcade	\$0M	\$0M	\$0M
	Total App Store	\$0M	\$0M	\$0M

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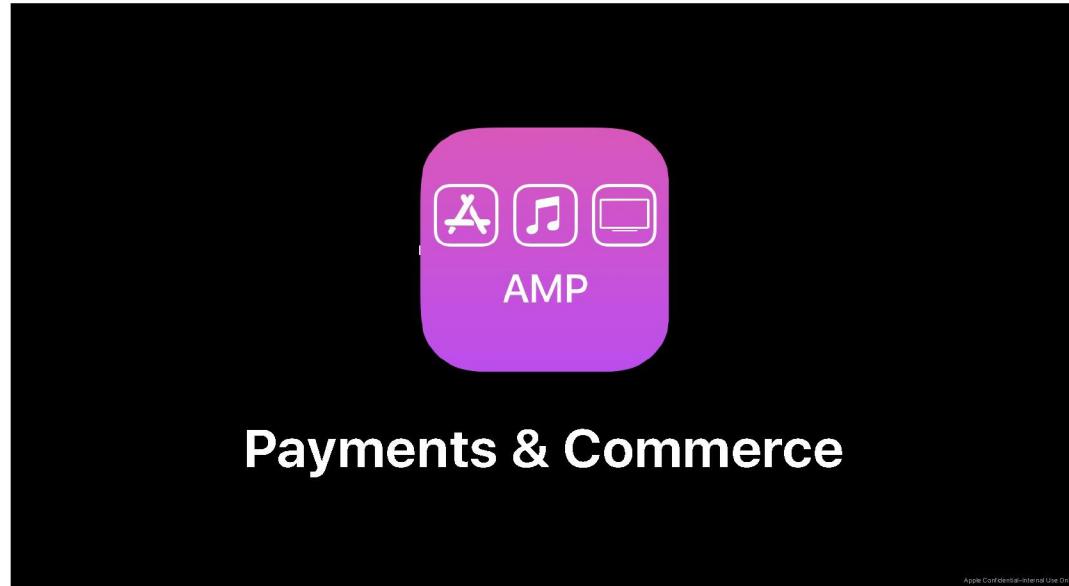
Comments as needed...



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DX-4094.135

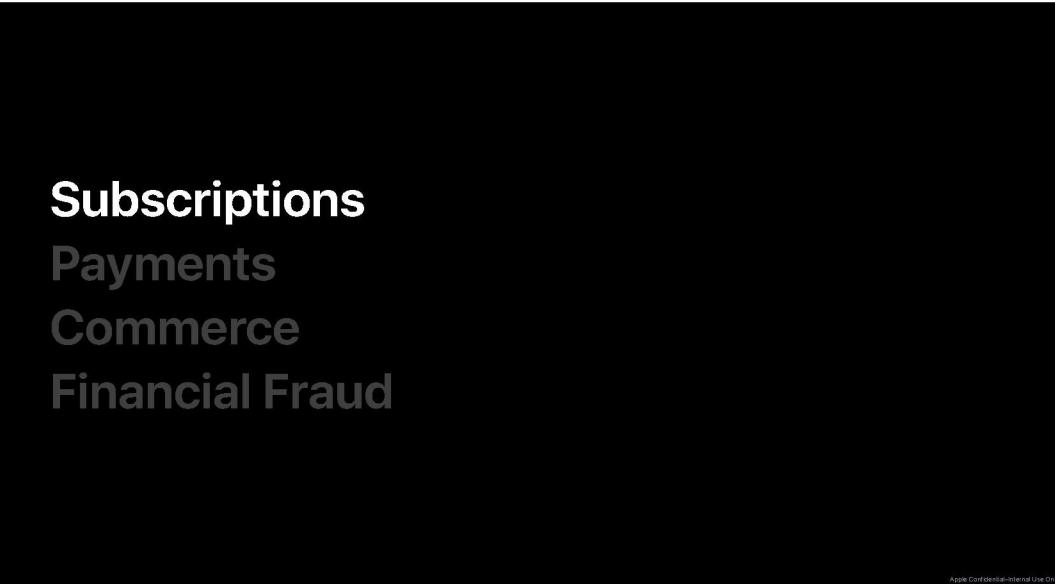
APL-APPSTORE\_08932512



Next we want to quickly review the Payments & Commerce initiatives that support the AMP businesses, including the App Store, Apple Music and our new subscription services.

**Subscriptions**  
**Payments**  
**Commerce**  
**Financial Fraud**

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**Subscriptions**  
**Payments**  
**Commerce**  
**Financial Fraud**

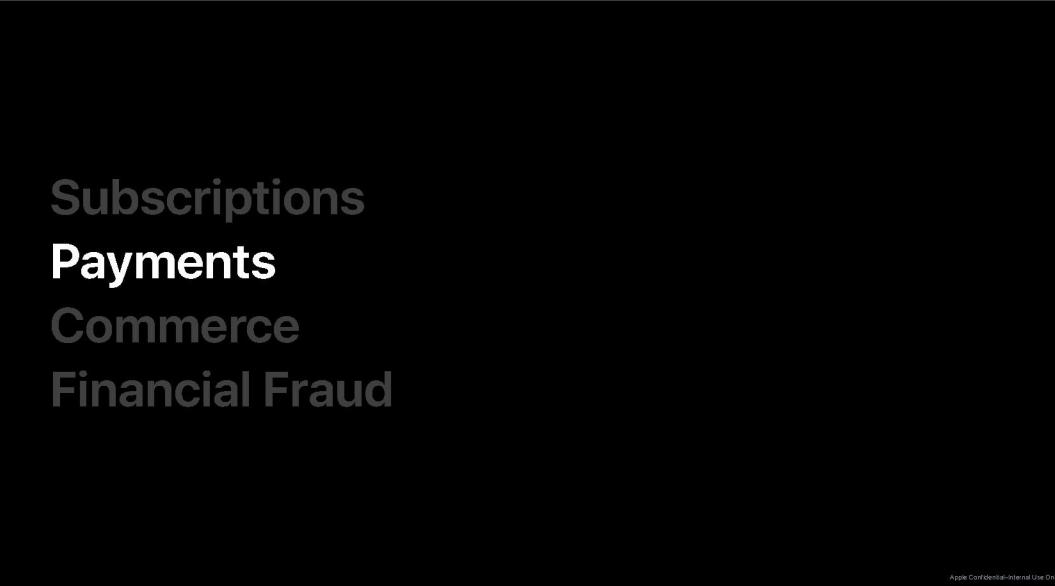
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Let's start with Subscriptions.

## Subscriptions Continue to Drive AMP Growth

## Major New Subscription Features

## Projected FY21 Impact



**Subscriptions**  
**Payments**  
**Commerce**  
**Financial Fraud**

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Next, let's look at Payments.

## Program to Date



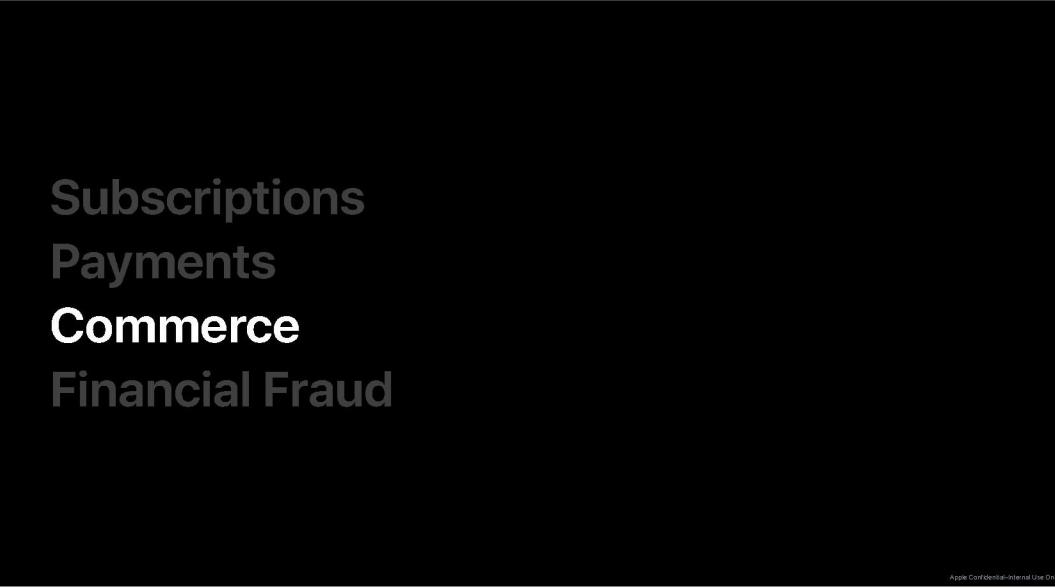
## Results and Plan

\*\*\*\*\*

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DX-4094.144

APL-APPSTORE\_0893251



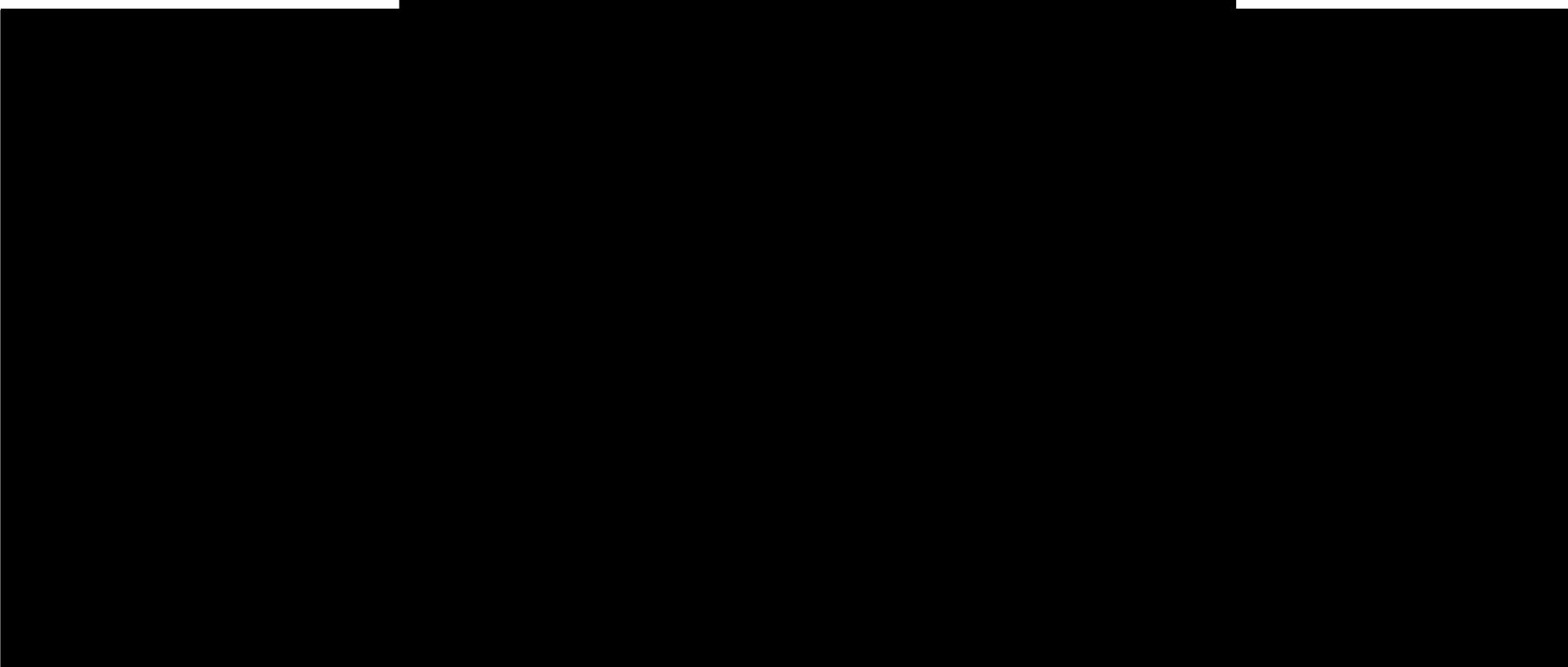
**Subscriptions**  
**Payments**  
**Commerce**  
**Financial Fraud**

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Next, we'll cover our efforts in Commerce.

## Program to Date

**Impact to Subscriptions is Substantial**



## Impact to Subscriptions is Substantial

## FY19 Launches

## FY20 Focus Areas

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DX-4094.151

APL-APPSTORE\_08932528

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

DX-4094.152

APL-APPSTORE\_08932529

**FY20 Plan**





**Subscriptions**  
**Payments**  
**Commerce**  
**Financial Fraud**

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And finally, Financial Fraud

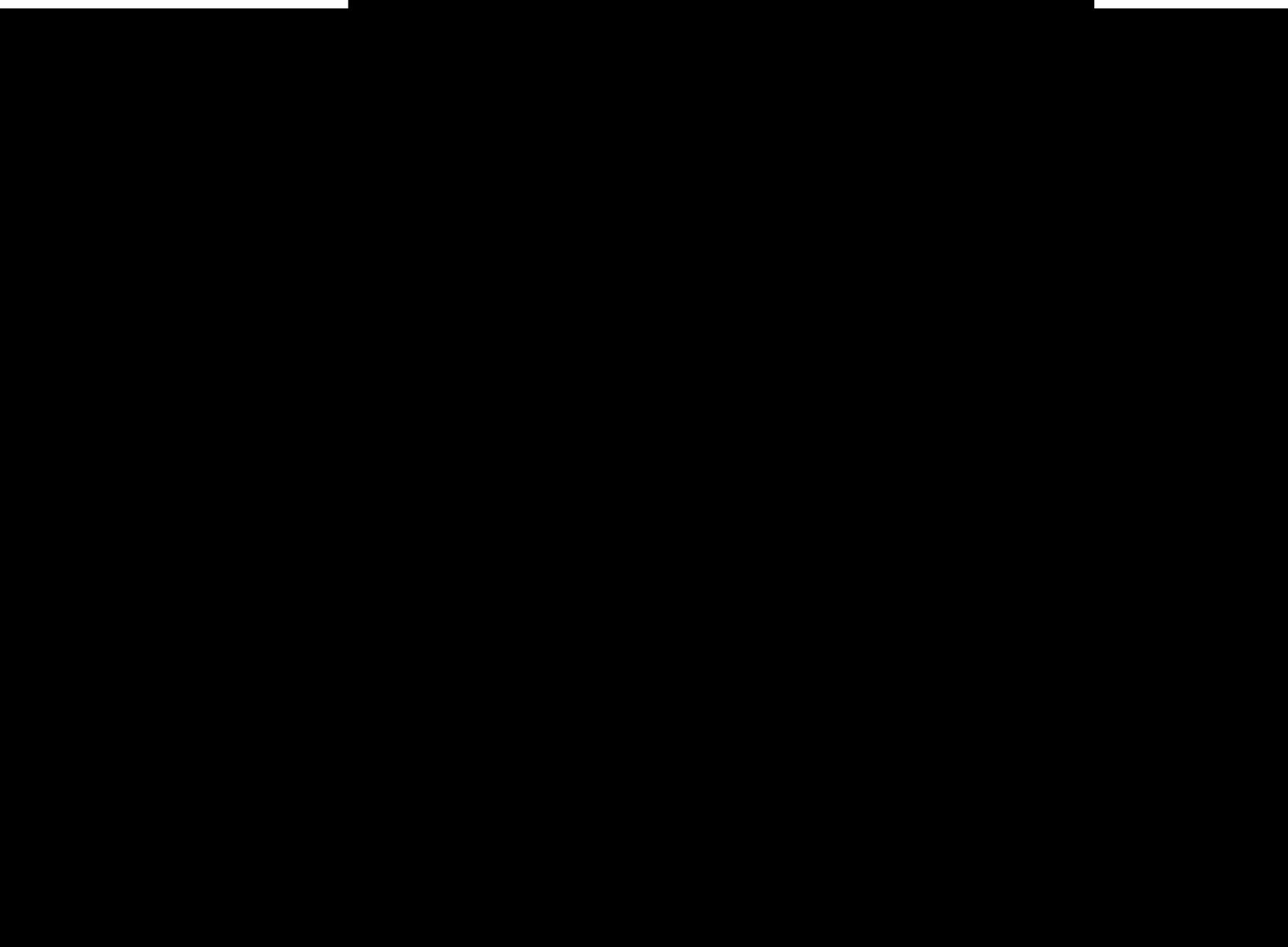
## FY19 Results

## FY20 Focus Areas

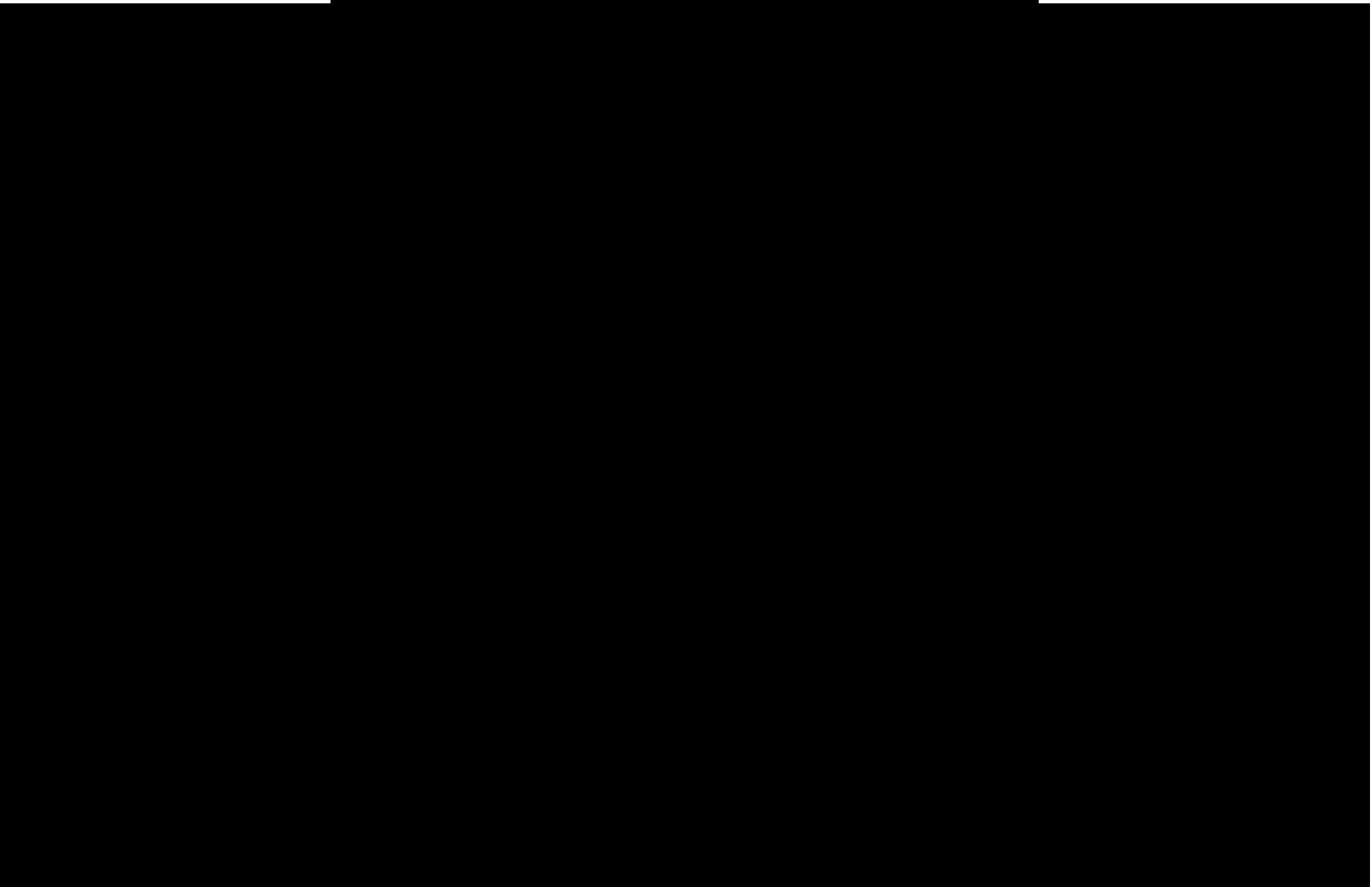
## Attacking Demand

## FY20 Plan

## Projected FY21 Impact



**Headcount Ask**



# **Appendix**

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## App Discovery

## Top Grossing Games

Last 4 Quarters

King of Glory



Monster Strike



Fate/Grand Order



Candy Crush



Fantasy Westward



Puzzles & Dragons



Knives Out



Pokémon GO



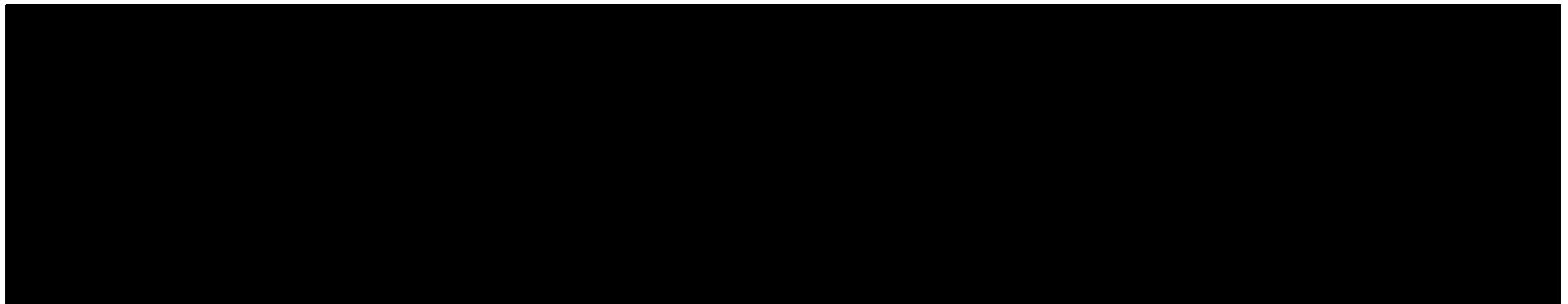
Fornite



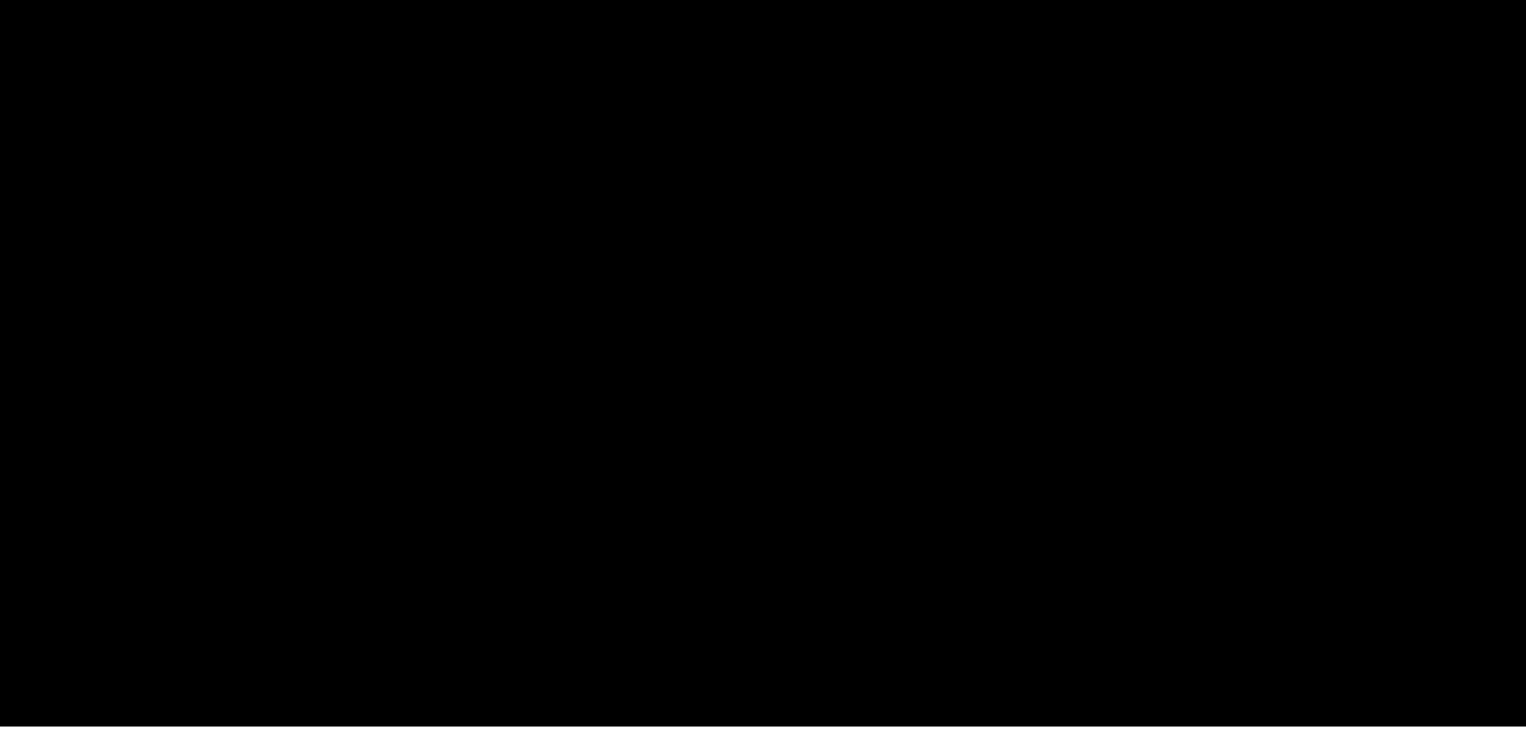
Dragon Ball Z



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## Top Apps Share of Total Billing

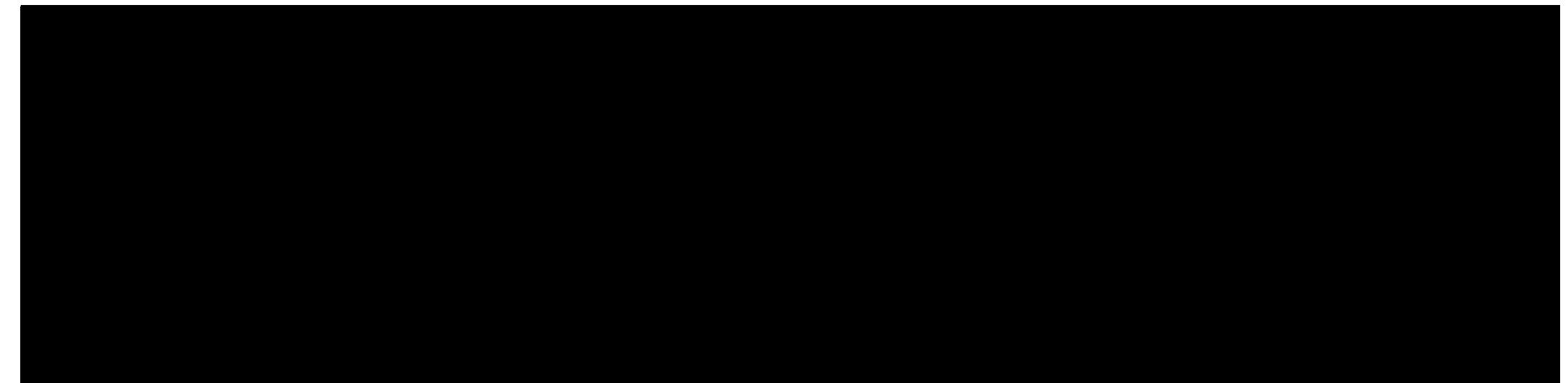


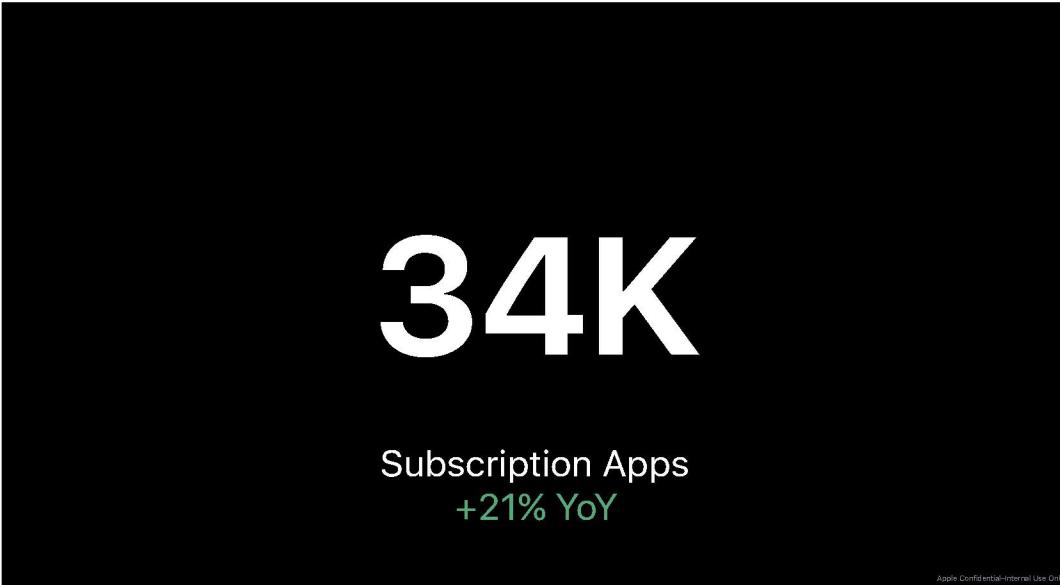
## Top Subscription Apps

Last 4 Quarters



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- There are now 34K subscription apps on the platform, up 21% Y/Y. Subscriptions are an important growth driver for the App Store business.

## Strong Growth in Paying Subscribers

## Top Downloaded Apps

Last 4 Quarters

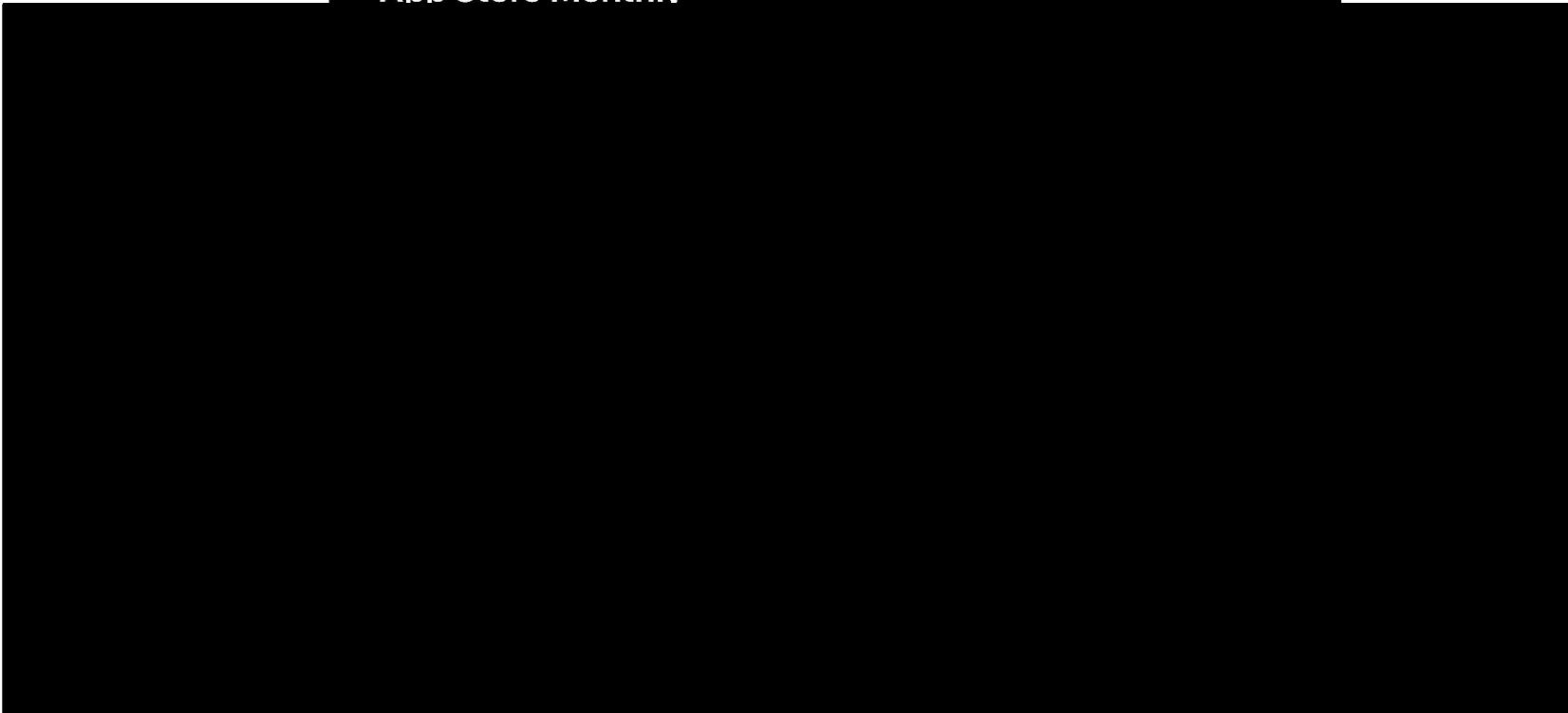


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## Personalization

**Browse Tabs Billings Split**

**App Store Monthly**



**App Store Monthly (excl. China)**



## Personalization: Today/Games/Apps

## Personalization: Today/Games/Apps

Personalized   Non Personalized

## Opportunity to Convert More Visitors

**Headcount Total App Store w/ Payments & Commerce**